

# Private Foundation



A Private Foundation is established as a tax-exempt entity that can receive contributions as a charitable organization qualified under Section 501(c)(3) of the Internal Revenue Code. Donors who establish Private Foundations exercise greater control over the operation and grant-making activities of the foundation than is permitted with a Supporting Organization or Donor-Advised Fund maintained by a public charity. The Private Foundation provides flexibility to the donor in making grants to other charitable organizations, in obtaining current income tax deductions for direct contributions to the foundation, and transfer tax deductions for gifts of income interests in Charitable Lead Trusts or remainder interests in Charitable Remainder Trusts



## Who does it work for?

A private foundation works well for donors who wish to receive a current income tax deduction, and who may wish to use the foundation as the charitable recipient of distributions from a Charitable Remainder Trust or Charitable Lead Trust. A Private Foundation requires a donor who is interested in being actively involved in the running of the foundation, but is not concerned about the restrictions from the IRS Private Foundation rules. A Pooled Income Fund may be the right tool for donors who have a desire to benefit charity, but may only have a modest investment to contribute. Donors to a PIF must recognize that there can be fluctuations in the net income of the fund.



## Benefits of a PF

### Reduced Tax Costs

Private Foundations allow a current charitable income tax deduction and possible transfer tax deductions for contributions made to the foundation.

### Donor Retains Some Control

The donor retains control over who manages the money in the foundation.

### Charitable Impact and Legacy

Private Foundations are excellent planning tools for those donors who are interested in establishing a legacy of giving. Heirs and loved ones can be part of the process of distributing grants to charity, and the fund can last beyond a single lifetime. A Pooled Income Fund creates giving opportunities for modest investors, and allows them to designate the use of the funds by a charitable organization after expiration of the income interest.



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