

Hidden No More: Designated Funds and Field-of-Interest Funds

Most attorneys, accountants, and financial advisors are well-aware of donor-advised funds and the reasons behind their popularity. Especially when a donor-advised fund is established at the Chester County Community Foundation, this vehicle is an excellent way for your clients to organize their charitable giving and get even more connected to the causes they care about.



Enter the Qualified Charitable Distribution

Your clients can give nearly any type of asset to a donor-advised fund at the Community Foundation. A notable exception, though, is the [Qualified Charitable Distribution](#) (QCD). A QCD allows a taxpayer 70 ½ or older to make a direct transfer of up to \$100,000 annually from an IRA to a qualifying charity. Currently, the IRS does not consider a donor-advised fund as a qualifying charity.

Although donor-advised funds cannot accept QCDs, the Chester County Community Foundation offers other types of funds that *can* accept QCDs. For example, **designated funds** and **field-of-interest funds** held at the Community Foundation are ideal recipients of QCD transfers. These fund types are often overlooked, despite the high value they can deliver to your client and to the community.

What is a field-of-interest fund?

Per the [Council on Foundations](#), a field of interest fund held by a community foundation is used for a specific charitable purpose or geographic region. (Ex: health, arts, sciences. Kennett, Phoenixville, Exton, etc.) Perhaps your client is passionate about rare-disease solutions, feeding the food insecure, or preserving the environment, for example. With the Community Foundation's assistance, your client clarifies their charitable interests and values, and names the fund (family, cause-related or even nondescript). Then the knowledgeable team at the Community Foundation helps research and distribute grants from the field-of-interest fund in a way that is aligned with your client's desires.

What is a designated fund?

Designated funds are defined as, "A type of restricted fund in which the fund's charitable beneficiaries are specified by the grantors." These are a good choice for a client who knows they want to support a particular charity or charities for multiple years. The client names the fund, and the Chester County Community Foundation annually awards the grants. Made over time, these funds help the charity's or charities' cash flow planning. Grant award distributions are aligned with your client's wishes set forth in the original fund document.

QCD reminders

For the client aged 70 ½ through 72, a QCD removes funds from an IRA before the client reaches 73, the age threshold for Required Minimum Distributions (RMDs). This can lessen the eventual income tax hit that accompanies RMDs. And for RMD-applicable clients, the QCD counts toward their RMD. In both cases, the QCD transfers do not fall into the client's taxable income.

QCDs are even more popular now that the \$100,000 cap will be indexed for inflation under the [new laws](#). Also, under the new laws, a one-time, \$50,000 distribution to a charitable remainder trust or charitable gift annuity is now permitted.

For more information, contact the Chester County Community Foundation:

Jason Arbacheski, CAP – Gift Planning & Stewardship Director – jason@chescofcf.org

Karen Simmons – President/CEO – karen@chescofcf.org

The team at the Chester County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.