



Setting up a Personal Fund

Giving for local good...
...for today, tomorrow and forever

Many of us have a desire to put something back into the community and professional advisors are likely to be approached by people who wish to establish a charitable trust so that their philanthropic wishes can be met.

In these circumstances, setting up a new charitable trust is the conventional route. However, the legal responsibilities of trustees under charity law are onerous.

Any new charity will need to prepare audited accounts annually, decide on an investment policy, monitor the investments, decide upon the sort of needs they wish to help meet, agree the level of support to provide to each group, advertise their fund, carry out due diligence checks on applicant groups, make awards and then monitor the impact that the grant award has had.

Whilst many donors have some of the skills to do this work, very often they do not have the time or the same level of expertise in due diligence and grant award making as those in the charity sector. Charitable trusts can be expensive to run and so some people who like the concept are put off by the cost and compliance requirements.

We believe that Two Ridings Community Foundation provides a simple, cost effective alternative to a charitable trust for individuals or businesses.

Establishing a Fund through Two Ridings Community Foundation

Whilst there will always be a place for the conventional route, a unique feature of Community Foundations is the ability to establish a personal fund where the administrative burden and legal compliance is

managed by us but, importantly, the donor can remain as closely involved in the application of their money as they wish.

A personal fund with Two Ridings Community Foundation works in a very similar way to a charitable trust but is a lot easier to manage. We handle the investment, correspondence, compliance and governance.

Personal funds are bespoke to your clients' charitable objectives and donors can choose the name of the fund or whether to remain anonymous. They can also choose the geographical area of benefit in North or East Yorkshire, the causes that they wish to support in their grantmaking and the level of their involvement in terms of giving and selecting projects to fund.

Two Ridings Community Foundation receives hundreds of requests for funding each year and we have a great depth of understanding as to what makes a good application and project. We also know how to reach small groups that may be beyond the knowledge of the donor.

When assessing applications for funding, there are checks in place to ensure that the group has good governance and the skill-set to deliver a project that is really needed in the local community. This provides for a strategic approach to charitable giving for your client and ensures a low level of risk by making use of our expertise in this field.

Long Term Endowment or Immediate Impact?

There are a number of options that your client might consider when establishing a fund and we can work closely with them to explain the choices available to enable them to make an informed decision about the most appropriate fund for them:

- **Endowment funds:** minimum donation currently £25,000 (smaller donations can be invested via Grassroots funds, see below). The gift is held as an asset, and invested within TRCF's endowment. The investment return provides revenue which is used to support charitable causes each year.
- **Acorn funds:** a special type of endowment fund where the assets build up through gifts made over several years, to a point when the fund 'matures' into an endowment fund and the revenue from the investment return can be used for charitable causes.
- **Flow-through funds:** minimum donation currently £5,000 a year. The gift is treated entirely as revenue to support charitable causes. These funds can be managed for several years (short or long term).
- **Grassroots funds:** a type of named fund founded and/or supported by donors who share a common interest in a specific area within our region, who may not wish to or may not have the funds to setup their own endowed fund.

“ Two Ridings promote and manage the fund on our behalf whilst keeping us informed of the Fund's activities, and still allowing us to remain anonymous. ”

- Mr & Mrs M, Two Ridings Community Foundation fundholders

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An additional benefit of setting up a fund through a Community Foundation is that, periodically, we have access to government 'match funding' programmes such as Community First or the Grassroots Grant Programme, both of which provided a 50% uplift on donations into endowment funds. In short, this could potentially grow your client's donation of £10,000 to £17,500 after the application of Gift Aid.

In this situation, higher and additional rate income tax payers would also be able to claim a further £2,500 or £3,125 respectively, back from HMRC on their annual tax return (Figures correct for 2017-18). We can provide further details of any current schemes if your client would be interested in exploring this option.

Management and Costs

As an independent Registered Charitable Incorporated Organisation, we are responsible for raising 100% of our administration costs and accordingly, we need to ensure that we cover the cost of administering and managing our donors' funds. These are met out of contributions to TRCF.

The size of the contribution to cover administrative costs depends on the size of the fund but always offers our donors significant value for money when compared with the cost of establishing a conventional charitable trust.

The Donation

Where possible, we encourage donations to be made in a tax-effective manner, usually with Gift Aid. This means that for every £10,000 donated, we can claim back £2,500 at no extra cost to your client. Higher and additional rate income tax payers are also able to claim back £2,500 or £3,125 respectively from HMRC on their annual tax return.

Many of our donors kindly pledge to also donate this tax relief to Two Ridings Community Foundation, further increasing the size of their personal fund the following tax-year.

We can also accept gifts in cash, shares, land, property or other assets, all of which can be made in a tax efficient manner.

Giving shares to charity has long been a useful way of unlocking capital and passing it on to good causes. Donations made in this way are eligible for full personal income tax relief as well as exemption from capital gains tax. A gift of £1,000 worth of listed shares could reduce a basic rate taxpayer's income bill by £220 and a higher rate payer's by £400.

In addition, no capital gains tax is payable on gifts of shares to charity. Similar relief also applies to donations of land or buildings. We can help you advise your clients on how to arrange the transaction.

Benefits

The key benefit to your client is knowing that by setting up a fund through Two Ridings Community Foundation they are making a significant and lasting difference to those in need in the local community without the burden of running it themselves. In short, we believe that we take out the stress and make charitable giving the pleasure that it should be.

There are further advantages that we believe personal funds have over the establishment of a charitable trust. Please refer to our Comparative Table, in this pack, which highlights the comparisons.

Case Study

Mr & Mrs M were active volunteers in the local communities in York and Selby for many years, and made ad hoc donations to several charities.

In 2015 they thought about setting up their own Charitable Trust to support their aim of supporting children and young people in York and Selby. On investigation they were concerned about the quite onerous governance requirements, and were also unsure which organisations would have been best-placed to receive grants. Instead they turned to Two Ridings Community Foundation and we were able to help Mr & Mrs M to establish a fund, respecting their wish as the donors to remain anonymous.

At the time they were setting up this fund, the Government's "Community First" programme provided match-funding. This meant that as well as being able to add in the Gift Aid on their donation they were able to boost their fund by a further 50%.

Three years on in 2018, their fund, due to the investment management by TRCF, stood at more than double the original amount donated by Mr & Mrs M, despite having issued a number of grants during that time.

“It was actually by accident that we came across Two Ridings Community Foundation - what a revelation! Having previously assumed that a substantial sum would be needed, we found that we could actually set up a modest-sized fund with Two Ridings, to specifically make grants supporting children and young people in York and Selby.

This gave us the ability to streamline our charitable giving, with grants going to small charities and community groups – but only after a strict due-diligence process by the Programmes team at Two Ridings to ensure our money is well spent. Furthermore, Two Ridings promote and manage the fund on our behalf whilst keeping us informed of the Fund's activities, and still allowing us to remain anonymous. ”

- Mr & Mrs M, Two Ridings Community Foundation fundholders