

Setting up a Personal Fund

Many of us have a desire to put something back into the community and 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 Suffolk Community Foundation provides a simple, cost effective alternative to a charitable trust for individuals or businesses.

Establishing a fund through Suffolk 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 Suffolk Community Foundation works in a 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 to benefit in Suffolk, 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.

Suffolk 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 a strategic approach to charitable giving for your client and ensures a low level of risk by making use of the Foundation's 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 Fund – an endowment provides permanence to a donation and demonstrates a long-term commitment to the local community. Endowed funds are invested with the annual income being distributed as grants. Funds are invested with a view to growing the value of the fund over time to create an expanding and sustainable source of funds for grantmaking in perpetuity.
- Revenue Fund – revenue funds are often established by making an annual donation which is awarded as grants within that year to provide immediate support to local communities.
- Combined Fund – this is very appealing for those donors who wish to grow an endowment fund over time but also wish to make grants from a revenue fund to make an immediate impact.

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 £10,000 of your client's donation to £17,500 after the application of Gift Aid. 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 charity, 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 the Foundation.

The size of the contribution to cover administrative costs depends on the size of fund but is typically 1% annually for endowment funds, and 10% for revenue funds. This 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.

We can also accept gifts in cash, shares, land, property or other assets which can also be made tax efficiently.

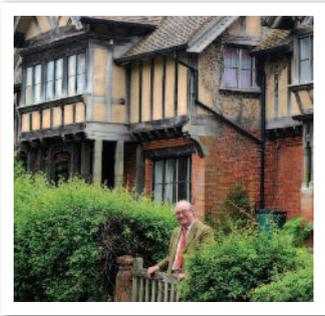
Giving shares to charity has long been a useful way of unlocking capital and passing it on to good causes. Donations made in this way are eligible for full personal income tax relief as well as exemption from capital gains tax. A gift of £1,000 worth of listed shares could reduce a basic rate taxpayer's 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 Suffolk 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 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](#), which highlights the comparisons.



CASE STUDY

Halesworth Volunteer Centre funded by the Martineau Fund

Richard and Diney Martineau created the Martineau Fund through a charitable gift in the form of some of Walsham-Le-Willows most historic cottages with the aim to transform the lives of local communities long into the future. Offering a gift in their lifetime has allowed them to fully involve themselves in seeing the good that their gift is giving to the county they love.

“ We really wanted to keep the cottages for local people, but realised that our children would probably have to eventually sell two or three blocks to pay for death duties. We have been ‘gifting’ a cottage block a year. So now tenants don’t pay rent to us instead they pay it to the Foundation who in turn have created an endowment fund allowing us to make grants to local charities from the proceeds. We went to the Foundation because the charity is so professional and works so hard. They really know what they are doing ”

Richard Martineau

Halesworth Volunteer Centre received a grant from the Martineau Fund towards the running costs of the community car scheme, helping local residents with journeys to appointments such as dental, opticians, doctors, and social activities such as visiting friends or relatives.

“ Interacting with other members of the community can stimulate people mentally and improve the lives of those who may be socially or rurally isolated. As well as the fact that we transport passengers to essential hospital and doctor appointments, we know a shopping trip or a trip to meet a friend for coffee is just as important to the health and social well-being of the people that we deal with ”

Tracey Gardner Manager at the Halesworth Volunteer Centre



CASE STUDY

Got to Read funded by the Birketts Fund

Recognising the importance of the community in which they work and their responsibility to contribute to it in a positive way, local law firm Birketts, established a corporate fund with the Foundation in 2006. Every year the partners of the firm give £10,000 towards it, part is used to make grants to local charities and the rest forms an endowment to build up a giving fund for the future.



Suffolk Community Foundation is amazing – whenever the charity panel meets they present a list of applications, which have all been carefully screened. There are six or seven grants to choose from, they've checked the sustainability of the project and the charity too, which really helps.

We have been privileged through the Foundation to come into contact with a number of community projects which have not had the profile and funding of larger charitable projects but which are making a noticeable difference on our doorstep. That is hugely satisfying

Mike Richards Senior Associate, Birketts LLP

Among the charities they have supported are Got to Read in Ipswich, which helps individuals and communities to share and enjoy reading. It provides training and support to volunteers who have a love of reading and want to share that with people who want to increase their confidence in reading, writing and speaking. Volunteers give one-to-one support to help someone with their own personal reading goals, whether that is building on what they can do already, or starting right from the beginning. The Birketts Fund contributed towards the running costs, helping the charity to assist people with literacy challenges.



Comparative Table

Comparing a Fund established through Suffolk Community Foundation (SCF) with an independently registered Charitable Trust.

	SETTING UP A CHARITABLE TRUST	ESTABLISHING A FUND THROUGH SCF
SET-UP PROCEDURE	Must register as a charity and apply to the Charity Commission. Must appoint a Board of Trustees.	Simple fund agreement.
COSTS	Cost likely to be from £1,000.	No start-up fees or costs* Annual cost contribution of 1% of fund value.
TIME FRAME	May take weeks or months.	Can be set-up within 24-48 hours.
INVESTMENT, AUDIT, ACCOUNTING AND TAX	Tax status covered by registration with the Charity Commission. Must fulfil financial and administrative requirements and may incur professional fees.	We handle all financial and administrative management, arrange audit and report to the Charity Commission. Tax status is covered under SCF's charity status.
REPORTING TO AUTHORITIES	Donor/trustees must maintain all financial records, prepare accounts, and submit to the Charity Commission.	We take care of reporting to the Charity Commission, particularly the Annual Report and Accounts.
GRANTMAKING PROCESS, ADMINISTRATION AND FOLLOW UP	Donor responsible for own grantmaking process, administration and overseeing. Must research and check activities and status of all recipient organisations; has ultimate say in all grant decisions.	Professional staff available to help identify and assess grantees, provide input on community needs, and ensure follow up with recipients and reports back to donor. SCF verifies activities and status of all potential grantees. Donors can be involved as much or as little as they choose in the grantmaking process. SCF Trustees' approval is required for all grants.



	SETTING UP A CHARITABLE TRUST	ESTABLISHING A FUND THROUGH SCF
PHILANTHROPY ADVICE	Donor/Trustees responsible for own giving strategy.	We provide full charitable giving and grantmaking know how to ensure the donor maximises the impact of their fund.
DONOR CONTROL	Donor appoints Board of Trustees to control all aspects of grantmaking and investment.	Trustees of SCF take on legal and fiscal responsibility for the donor's fund, while the donor chooses grants to organisations vetted by SCF.
DONATIONS	Often restricted to registered charities.	To both registered charities and non-registered community groups.
PRIVACY	The Charitable Trust must keep public records.	Anonymity of donor can be maintained if desired. If the donor wishes, SCF can serve as a mediator between donor and grant seekers.
PROFILE	Responsible for own profile.	We can help the donor as much or as little as necessary. We can raise the donor's profile in the community by making grants in the donor's name and featuring the donor in publications.
GEOGRAPHY	Donor/Trustees determine their geographical reach.	SCF operates across Suffolk but partners with other UK Community Foundations on the delivery of regional and national initiatives which may be of interest to donors.
NETWORKING	Must find own network and information sources.	We connect donors to a variety of groups and issues in the community and connect like-minded donors through events and initiatives.

* Where a Trust is set up through a Government match funding initiative, for example, the Government's **Community First** Programme (which provided a 50% uplift on the donation), there may be a small set up cost per donation.

