

Setting up a Personal Fund

Many of us have a desire to put something back into the community and professional advisers will occasionally be approached by people who wish to establish a personal fund 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 performance of the investments, decide upon the sort of needs they wish to meet, agree the level of support to provide each group, advertise their fund, carry out due diligence checks on applicant groups, make awards and then monitor the effect the grant award has made.

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

We believe the Bedfordshire and Luton Community Foundation provides a simple, cost effective alternative to a charitable trust for individuals or businesses.

Establishing a fund through Bedfordshire and Luton 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 the Bedfordshire and Luton 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 of benefit in Bedfordshire, the causes they wish to support in their grant making and the level of involvement in terms of giving and selection of projects to fund.

Bedfordshire and Luton Community Foundation receives hundreds of bids for funding each year and we have a great depth of understanding relating

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 a good governance and the skill set to deliver a project that is really needed in the community. This provides for a strategic approach to charitable giving for your client and ensures a low level of risk by making use of the Foundations 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 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 grant making in perpetuity.
- **Revenue Fund:** - revenue funds are often established by making an annual donation which is rewarded 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" programme's such as Community First or the Grassroots Grant Programme, both of which provided a 50% uplift on donations to endowment funds. In short this could potentially grow £10,000 of your clients 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 the fund, but is typically 1% annually for endowment funds and up to 10% for revenue funds but may be negotiable, depending on the size and type of fund. This offers our donors significant value for money when compared to the cost of establishing a conventional personal charitable trust.

The Donation

Where possible we encourage donations to be made in a tax efficient 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 tax payers income bill by £220 and a higher rate tax 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 Bedfordshire and Luton 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 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.

To find out more about helping your clients to set up a fund with Bedfordshire and Luton Community Foundation please contact Fozia Irfan or Warwick Browning on 01234 834930

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