



Setting up a Personal Fund

Many of us have a desire to put something back into our community and wish to establish a charitable trust so that our 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 as well as keeping up to date with a range of legal obligations.

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 making awards as those already in the charity sector. Some people who like the concept are put off by the cost and compliance. Many of our donors have previously been down the route of establishing a charitable trust and have found choosing between deserving causes and responding to those who are unsuccessful, very difficult and stressful. Their most common comment is 'if only we had known there was another option'. Worcestershire Community Foundation provides a simple, cost effective alternative to a charitable trust for individuals or businesses, without the stress. We believe that charitable giving should be a deeply satisfying and pleasurable experience.

Establishing a Fund through Worcestershire 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 distribution of their money as they wish. This is known as a named fund and generally require a larger donation to make it beneficial to the community.

A named fund with Worcestershire 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. Named funds are bespoke to your charitable objectives and donors can choose the name of the fund or to remain anonymous. They can also choose the geographical area of benefit in Worcestershire, the causes that they wish to support in their grant making and the level of their involvement in terms of giving and selecting projects to fund, guided by our experience.

Worcestershire 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 are likely to 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 makes a real difference 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 you might consider when establishing a fund, and we can work closely with you to explain the choices available, enabling you to make an informed decision about the most appropriate fund:

- **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 the local community in perpetuity.
- **Immediate Impact Fund** - these 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** – a popular choice for those donors who wish to grow an endowment fund over time but also wish to make an immediate impact.

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.

The size of the contribution to cover administrative costs depends on the size of fund but is typically 1.5% annually for Endowment funds, and up to 10% for Immediate Impact 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 £50,000 donated, we can claim back £12,500 at no extra cost to you. We can also accept gifts in cash, shares, land, property or other assets which can be tax efficient.

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 advise you on how to arrange the transaction.

Benefits

The key benefit to you is knowing that by setting up a fund through Worcestershire Community Foundation you are making a significant and lasting difference to those in need in the local community without the burden of running it yourself. 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 named funds have over the establishment of a charitable trust. Please refer to our **Comparative Table**, which highlights the comparisons.