



# PROFESSIONAL ADVISERS Toolkit

Helping your clients make the most of their giving



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**“ Together, we can ensure that your clients’ charitable giving reaches the right causes they wish to support. ”**

# About Kent Community Foundation

Kent Community Foundation has been finding, funding, and supporting some of the smallest voluntary organisations in the county since 2001. In this time, we have distributed nearly £55 million to support thousands of small charities and deserving causes where a modest sum of money can make a significant impact.

As part of a UK wide accredited network of 47 Community Foundations we are committed to improving the lives of local people and communities, particularly the most vulnerable, isolated, and disadvantaged by matching those who want to help, with those who need the help.

Responsible for more than 90 philanthropic funds, we are unrivalled in our knowledge of local causes and assist individuals, families, and businesses, who want to help, to establish and administer their own charitable funds.

Whether you are a lawyer, accountant, financial planner, investment adviser or have a specific interest in the technical aspects of planned giving, by combining your expertise with our experience in philanthropy, together, we can ensure that your clients' charitable giving meets the causes they wish to support.

We provide a range of options for private clients who are interested in:

- Leaving a legacy or gift in their Will
- Transferring the burden of running a charitable trust
- Establishing a personal fund
- Setting up an 'In memorium' fund

You will find information on these aspects of charitable giving and more within this pack.



## Setting up a Named Fund

A donor-advised fund with Kent Community Foundation (KCF) offers an individual, family or business all the advantages of creating their own named charitable fund, but without the administrative burdens and obligations associated with setting up and managing a charitable trust.

Fund-holders can be involved as little or as much as they wish in the grant-making process. KCF agrees with the donor the purpose and priorities of their fund from the outset (e.g. creating opportunities for young people) and typically, prepares a short-list of ideas from which the fund-holder advises grants they wish to be made. Many fund-holders choose to involve members of their family in grant-making decisions and an important benefit of a named fund with KCF is that it can be passed on to the next generation.

**“It’s an easy, convenient and effective way for your client to give to their local community.”**

### 10 Reasons to set up a Named Fund with Kent Community Foundation

1. It is like establishing your own charitable trust, without the legal and administrative burdens
2. Giving through KCF is fully tax effective and donations can be made at a time to suit you
3. It is an easy, convenient and effective way for you to give to your local community
4. We work with small charities where a modest amount of money can make a significant difference
5. You can trust KCF to handle the entire grant-making process; managing applications, due diligence and follow-up monitoring and evaluation
6. KCF offers opportunities to work with other funders and give collaboratively
7. With over 20 years of grant-making experience and excellent local networks, KCF can help you identify great local projects; from grassroots initiatives to social enterprises to larger established charities
8. There are opportunities to meet those you support and find out more about the issues they face
9. You can invest for immediate impact or into an endowment fund for the long term
10. You can remain entirely anonymous if you wish

# Comparing a Kent Community Foundation Fund with an Independently Registered Charitable Trust

	Charitable Trust	Community Foundation Fund
<b>Set-up Procedure</b>	Must register as a charity and apply to the Charity Commission. Must appoint a Board of Trustees	Simple fund agreement
<b>Costs</b>	Cost likely to be from £1,000	Set-up costs from 1.5 % of fund value depending on size
<b>Timeframe</b>	May take weeks or months	Can be set up within 24-48 hours
<b>Investment, Audit Accounting and Tax</b>	Tax status covered by registration with the Charity Commission. Must fulfil financial and administrative requirements and may incur professional fee costs	KCF handles all financial and administrative management, arranges audit and reports to the Charity Commission. Tax status is covered under KCF's charity status
<b>Reporting to Authorities</b>	The donor/trustees must maintain all financial records, prepare accounts, and submit these to the Charity Commission	KCF takes care of reporting to the Charity Commission, particularly the Annual Report and Accounts
<b>Grant Making Process, Administration and Follow Up</b>	Donor responsible for own grant making process, administration and overseeing. Must research and check activities and status of all applicants	Professional staff team promotes the Fund, identifies and assesses grantees, provides input on community needs and undertakes due diligence on applicants
<b>Philanthropy Advice</b>	Donors / trustees responsible for own giving strategy	KCF provides full charitable giving and grant making know how to ensure the donor maximises the impact of their fund
<b>Donor Control</b>	Donor appoints Board of Trustees to control all aspects of grant making and investment	Trustees of KCF take on legal and fiscal responsibility for the donor's fund, while the donor chooses grants to organisations vetted by KCF
<b>Donations</b>	Often restricted to registered charities	To both registered charities and non-registered community groups
<b>Privacy</b>	The Charitable Trust must keep public records	Anonymity of donor can be maintained if desired. If the donor wishes, KCF can serve as a mediator between donor and grant seekers
<b>Profile</b>	Responsible for own profile	KCF can help the donor as much or as little as they want. We can raise the donor's profile in the community by making grants in the donor's name and featuring the donor in publications
<b>Geography</b>	Donor / trustees determine their geographical reach	KCF operates across Kent and Medway but partners with other UK Community Foundations on the delivery of regional and national initiatives which may be of interest to donors
<b>Networking</b>	Must find own network and information sources	KCF connects donors to a variety of groups and issues in the community and connects like-minded donors through events and initiatives

## In Memory and Tribute Funds

In your capacity as a solicitor, accountant or wealth adviser, you will no doubt come across cases where family and friends of people who have died wish to set up a fund in memory of their loved one. This is usually so that they can support issues close to the loved one's heart, or that link to the cause of their death. Funds like these enable family and friends to remember them in a special way.

As an alternative to setting up a new charitable trust through the Charity Commission, a named fund can be established with Kent Community Foundation whereby funds are raised for the cause and an agreement is established with the family as to how funds should be spent and the type of charity and community groups that they wish to benefit.

By doing this, the monies raised can be paid into the Kent Community Foundation named fund and will be tax efficient, as Gift Aid can be claimed as appropriate.

This is a low cost solution for a family and can be set up immediately, without any need to register as a charity, select trustees (with all the statutory obligations that carries) at what might be a very difficult and emotional time for those involved.

### Case Study

Establishing a memorial fund with your local Community Foundation is a wonderful way of honouring the memory of a loved one and supporting causes that were close to their hearts during their lifetime.

A memorial endowment fund was set up in 2013 in memory of Sir Brandon Gough DL with government match funding.

Sir Brandon, a successful businessman, adopted 'Kentish Man', and a pillar of Kent life, was in equal measure talented, compassionate and acutely aware of social injustices. The Sir Brandon Gough Memorial Fund was set up to support Kent projects that help disadvantaged young people achieve their full potential.

The first grant made from Sir Brandon's Fund was to the West Kent YMCA, which is tucked away in the backstreets of Tunbridge Wells. Lady Gough, a frequent visitor to Tunbridge Wells, was surprised that she had never heard of West Kent YMCA before or the wonderful work they are doing with local young people who are on a downward spiral of exclusion.



# Charitable Trust Transfers

There are thousands of small charitable trusts across the UK that are either dormant, inactive, or ineffective. You will no doubt have come across charities or charitable trusts that have ceased to operate for a variety of reasons, often through circumstances that are beyond the control of the original trustees.

Reasons why a charitable trust may become dormant, inactive or ineffective include:

- The original purposes may be out-dated and irrelevant to current needs
- The purposes may have been fulfilled or ceased to exist or the beneficiaries may no longer exist
- Funding challenges that many in the voluntary sector are facing
- The fund may be too small to make a significant impact (as it generates almost no income)
- Lack of expertise may make grant decision-making challenging

With larger funds, it might be that over the years the trustees are not able to distribute funds and they become dormant, or moribund. Trustees may find it hard to stand down or to find someone to replace them, or they may not fully understand their legal or financial obligations.

## Our Experience

We can provide a range of solutions from assisting with grant-making to taking over a trust completely. If they wish, the

client can retain an involvement without having the burden of the financial and legal responsibilities.

Working together with professional advisers, we can assist clients with trust transfers, moving the funds into another endowed fund with modern and applicable objectives. We are able, if it is required, through the transfer process to change the specific objects of the trusts and continue to distribute grants in the spirit of the original founders.

With active trusts, it may be that trustees are looking for a sustainable approach to their fund, to ensure that the excellent work they have undertaken for many years is continued in perpetuity without losing involvement in the funds. As an alternative to transferring a trust, where applicable, we are also able to take over the management of active trusts, sometimes by becoming corporate trustees of an existing trust.

Trustees of charities and community groups facing closure may decide the work that Kent Community Foundation does to support local communities and individuals is in line with the aims of their group and that a transfer of funds to the Foundation would ensure a

worthwhile and effective use of remaining assets. Whatever the reason for closure, it is not uncommon for organisations to have residual funds and the trustees will be required to distribute these in accordance with the dissolution clause in their governing document and may turn to you for assistance.

Charity Commission rules are clear that residual assets should be passed on to another charitable organisation that can use such assets to follow the same or similar objects.

# Dormant Client Funds and Unclaimed Client Accounts

Professional firms are required to return balances on client accounts as soon as there is no longer a proper reason to retain them. In addition to the handling of dormant charitable trust transfers, Kent Community Foundation has experience of transforming unclaimed balances into an asset for the community.

For example, solicitors will be aware of the Solicitors Regulatory Code of Conduct Rules (20.1) which allows for practices where funds under the sum of £500 held on client account which can't be traced and returned to the client can now be payable to a charity. Solicitors do need authorisation to transfer amounts over £500 from the SRA, and the application form and guidance can be found at [www.sra.org.uk/guidance](http://www.sra.org.uk/guidance). It can be in the interests of the firm to ensure that money, which would otherwise remain inactive and subject to audit each year, goes directly to support a charity.

There may be an unclaimed amount held on client account for a number of reasons, perhaps where:

- The rightful owner cannot be traced
- The rightful owner will not provide instructions on how the funds should be dealt with
- Monies returned to the client have not been cashed

Kent Community Foundation handles all cases sensitively and in confidence. Any

unclaimed client funds transferred in this way can be used to directly fund charities and community groups who support the people of Kent. The exact type of organisation and cause to be supported can be selected by you and your team according to your organisation's charitable objectives. As required by SRA rule 20.1 we are a registered charity, number 1084361 and can be located on the Charity Commission website:

[www.charitycommission.gov.uk/showcharity/RegisterOfCharities](http://www.charitycommission.gov.uk/showcharity/RegisterOfCharities)

Kent Community Foundation is able to accept funds donated in this way and can provide an indemnity in case the original beneficiary should ask for the money. We are happy to discuss, in confidence, ways of working with you to protect you in cases where large sums are transferred to the Foundation should the original owner seek recompense.

It might be, for example, that the funds are held in a general endowment fund earmarked for your firm, protecting the capital and distributing the annual income earned from the interest and dividends to local community groups.



## Gifts of Land or Property

In your capacity as a solicitor, accountant or wealth adviser, clients may ask for advice on donating or transferring a gift of land or property to charity to support causes that are close to their hearts.

A gift of land or buildings can be made to any approved charity who will need to ensure it can accept the proposed gift. Once the charity has confirmed it can accept the gift, the property can be transferred.

There are several tax benefits including Income Tax Relief and Capital Gains Tax relief. Income Tax relief is calculated by deducting the value of your donation from your total taxable income for the tax year in which you made the gift or sale to charity.

Capital Gains Tax is not payable on land, property or shares you give to charity. You may have to pay if you sell them for more than they cost you but less than their market value.

When you offer a gift of land or property, the charity may ask you to sell the gift on its behalf. You can do this and still claim tax relief for the donation, but you must keep records of the gift and the charity's request. Without them, you might have to pay Capital Gains Tax.

The donor must therefore keep a record of the donation and evidence that the charity has accepted it.



## Gifts of Shares

Your client may have a large investment portfolio but limited liquid cash resources yet still wish to make a charitable donation. Gifts of shares are one of the most tax efficient ways to give money.

A person may have inherited small amounts of shares from a relative or received shares following a company privatisation or take over. Such small amounts of shares are often difficult to dispose of, not least due to the costs involved. Alternatively, someone may have a large investment portfolio and wishes to make a charitable donation. Making a charitable gift of shares to Kent Community Foundation is a highly tax effective way of supporting local causes close to your heart.

Gifts of shares benefit from tax relief in two ways:

- Income Tax relief on the value of the shares

- Shares are exempt from Capital Gains Tax i.e. you will not be taxed on any gain you have made on the value of your shares

Shares can be sold and the value donated to Kent Community Foundation to establish, grow or contribute to existing funds. For shares that are transferrable, these can be donated directly, but only publicly quoted shares qualify for tax relief.

The direct donation of shares is administered through a transfer of ownership of the shares, managed through one of KCFs investment houses who will handle the transfer.

# Leaving a Gift in a Will

Many of our supporters have been committed to Kent for many years and they don't want that commitment to end when they die. Although some people have a clear idea of the charities they wish to support through leaving a gift in their will, others may want to give back to their local community but are unsure exactly which charities to support.

A long term and viable alternative is for Kent Community Foundation to be named as the recipient in a Will, with the instruction to use the legacy to support a particular cause or a particular area of the county.

## Leaving a Legacy for Kent

Do you have a client who is interested in setting up a charitable trust through their Will, but is wary of the cost and the legal responsibilities they may be leaving for family and friends?

Has your client approached you with a request to leave a charitable bequest to help a variety of Kent based charities?

Do you have a client who would like to leave a gift to their local community, but hasn't been able to find the right vehicle?

If the answer is yes to any of these questions, Kent Community Foundation can help.

## Types of Legacy

There are a number of ways that donors can support local causes via a legacy to Kent Community Foundation; we work closely with professional advisers to agree the most appropriate solution for their clients. Whether a residuary legacy,

pecuniary or specific legacy, the Foundation is able to manage legacies of all kinds.

Kent Community Foundation provides a uniquely flexible range of options and support for clients. Whatever the charitable interests of your clients, the Foundation can:

- Use its local expertise to match deserving causes with the criteria set by your client. For example, if your client has a particular wish to support young people in Canterbury or mental health issues across the county, we can set up a fund agreement with them which states their wishes
- Provide a solution for leaving a one-off legacy which benefits a wide range of deserving, local causes across Kent and Medway
- Offer a way, through an endowment fund, to make a single gift that

keeps on giving, in perpetuity, to the causes your client supports

- Enable family and friends to be involved in the decision making process without the burden of legal or fiscal responsibility

Simply naming Kent Community Foundation as the beneficiary in a Will provides your client with the flexibility to support a wide variety of important local causes and to respond to changing needs over time. Kent Community Foundation guarantees to use the donation in the best and most effective way to improve lives in the local community whilst adhering to the client's wishes.

## Tax Benefits

As an accredited Community Foundation, legacies made to Kent Community Foundation qualify as charitable donations. As you will be aware, charitable legacies are exempt from inheritance tax and could help reduce the total amount of tax paid on your client's estate, maximising what is available for their heirs. We can also accept gifts in cash, shares, land, property or other assets which can also be made tax efficiently.

## Case Study Examples for Clients

The basic principle is that if an individual leaves 10% or more of their estate in their Will to charity, the rate of inheritance tax (IHT) will be reduced from 40% to 36%. However, this doesn't necessarily mean that they have to leave 10% of the whole estate - the

rules are more generous than this. In short, it is only necessary to leave 10% of the net value of their estate. This is the sum of all the assets after deducting any debts, reliefs, exemptions and the tax free band.

Kent Community Foundation is not qualified to provide tax advice to individuals and we always advise any potential donor to discuss the tax implications with their professional adviser. However, we set out below some examples of how the rules governing the IHT exemptions on charitable gifts work, which show how favourable they are.

You might find these examples helpful to share with your clients to illustrate the tax benefits of leaving a legacy:

### Example 1

Robert dies leaving an estate worth £500,000. He has a full tax free band of £325,000 so his taxable estate is £175,000. To qualify for the reduced rate of tax he needs to leave 10% of £175,000 to charity i.e. £17,500. The £17,500 qualifies for the charitable gift exemption leaving £157,500 which is taxable at 36% making a tax liability of £56,700. This leaves £425,800 for his heirs.

### Example 2

Had Robert left a legacy of £15,000 to charity his estate would not have qualified for the reduced rate as £15,000 is less than 10% of the net value. After making a deduction of the tax free band of £325,000 and the charitable gift exemption of £15,000, his taxable estate would be £160,000. This would be taxed

at 40% making a tax liability of £64,000 leaving just £421,000 for his heirs. So, interestingly, Robert's heirs will be better off if he leaves £17,500 to charity rather than just £15,000.

### Example 3

If Robert left nothing at all to charity his taxable estate would be £175,000 and the tax charged at 40% would be £70,000 leaving £430,000 for his heirs. So whilst Robert's heirs would be better off if he left nothing to charity at all, as can be seen in points 1 and 2 above, by reducing what is available to his heirs by just £4,200 the charity benefits by £17,500. The Foundation has specimen wording available to help solicitors ensure that we can manage your client's gift according to their wishes.

## Case Study

### Albert Burns Legacy Fund

The Albert Burns Children's Trust Fund was created in memory of Thanet businessman Albert Burns who left instructions in his Will for his legal advisers Boys & Maughan Solicitors to create a lasting legacy for children. He particularly wanted to support smaller charities that don't have the resources of the larger children's charities.

Boys & Maughan Solicitors work with Kent Community Foundation who manage the grant-making on their behalf and direct funding to local children's groups and charities where it will make a significant impact locally.

“ We are delighted to be working with Kent Community Foundation. They have enabled us to establish a significant legacy fund that will continue to benefit local communities for years to come, and means to reach out to many more Kent children's charities than would have been possible if we had attempted to manage the trust independently. ”

Ian Priston, Boys & Maughan Solicitors





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 Kent Community Foundation (KCF) - UK

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