

WINTER 2012

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A WEALTH OF OPPORTUNITY

The largest growth in wealth and amount of wealth being transferred between generations in the nation is now underway here in Los Angeles County, according to a new CCF report, *The Future of Philanthropy in Los Angeles: A Wealth of Opportunity*, based on a study commissioned by CCF.

Despite the large percentage of people who are struggling financially, we in L.A. have an estimated net worth of nearly \$1.3 trillion, and those assets are forecast to grow. The largest drivers of growth may surprise you: U.S.-born and immigrant entrepreneurs. In 2010, the L.A. metro area had the highest level of entrepreneurial activity among America's 15 largest cities.¹



The report also forecasts that by 2020, we will transfer almost \$114 billion in assets and an estimated \$1.4 trillion by 2060.

The growth and transfer of wealth in L.A. is reason for optimism for the philanthropic sector and nonprofits. But their success will depend on how families, individuals and companies invest, and how nonprofits prepare.

Their success, in fact, will depend on how well we and other trusted advisors prepare these groups through smart financial planning, family involvement and charitable know-how. We hope, therefore, that our report is a call to action for advisors to seize this opportunity for clients and the community.

To read the report, please visit calfund.org/transfer

Entrepreneurs and immigrants are creating wealth and the potential of more philanthropy in L.A.

HOW WILL YOU PREPARE YOUR CLIENTS?

53% of high net worth families across the U.S. have no philanthropic provisions in their estates.²

72% of children of well-to-do families are not involved in charitable decisions.³

How will you prepare your clients for the transfer of wealth? What opportunities might you suggest for your entrepreneurial clients? Who will start the conversation?

CCF can help! See our tips on giving for entrepreneurs inside, or contact Don Gottesman, senior development officer, at (213) 452-6265 or dgottesman@calfund.org.

¹Fairlie, Robert W., *Kauffman Index of Entrepreneurial Activity, 1996-2010*, Kauffman Foundation, March 2011.

²Center on Philanthropy at Indiana University, *2010 Bank of America Merrill Lynch Study of High Net Worth Philanthropy*, November 2010.

³*Ibid.*



ADVISING THE ENTREPRENEUR:

■ Giving Back in Business

If the forecast is true, entrepreneurs will be driving L.A.'s growing wealth for at least the next half century. Parallel with that trend will be the need for more and more business owners to get good advice about wealth management.

Formation

Entity type:

Should a new company be organized as a C-corporation, S-corporation, LLC or partnership? The type of entity created and the ownership interests it issues impact the ways that charitable gifts can be made.

Restrictions on transfers of interest:

Can business owners transfer their interests to a charity or charitable trust? A shareholder, operating or partnership agreement often restricts to whom an interest holder can transfer his/her interest.

Regardless of when your entrepreneurial clients have charitable giving on their mind – at the time of formation or at other milestones in their company's lifecycle – they will seek your advice. Below are questions you might wish to raise so that your clients can meet their charitable, financial, tax and other goals.

PLANNING FOR MILESTONES

Retirement or Transfers at Death

Family participation:

Are family members involved in your client's business? If so, should family members be granted an option to purchase the business interest from the charity or should their right to receive the business interest be deferred?

Selection of charitable vehicle:

Does your client need a stream of income? Is diversification of his/her assets desirable? How much control or participation by family members does your client want? Would your client like to make gifts during his/her lifetime or upon passing? Answers to these questions often determine the options available – outright gift, charitable lead or remainder trust, or gift to a supporting organization –for meeting goals and optimizing tax treatment.

Pre-Initial or Initial Public Offerings

Change in entity type:

Should a company seek to convert from one type of business entity to another, say from an S- to a C-corporation? If so, when? If a charitable organization owns stock at the time of the conversion, this change may affect the tax treatment of the shares it holds.

Timing:

If your client makes a gift to a charity of equity interests in his/her company and the charity intends to sell those shares in the secondary market, which party pays the tax when the stock is later sold? The answer might depend on whether or not there is a binding obligation to sell or if the sale was practically certain to occur at the time of the gift.

For help answering these questions and others for yourself and your entrepreneurial clients, contact Don Gottesman, senior development officer, at (213) 452-6265 or dgottesman@calfund.org. We're happy to consult with you as you create strategies to meet your clients' business and personal goals.

NEW BOARD MEMBERS

CCF is pleased to introduce four new board members:



Louise Henry Bryson
Executive Vice President
& General Manager,
Lifetime Movie Network



The Honorable
Carlos R. Moreno
Former California
Supreme Court Justice

ENHANCING RELATIONSHIPS WITH CORPORATE CLIENTS

Your corporate clients may actively seek your advice when it comes to philanthropy, or you might suggest a charitable giving opportunity that addresses your corporate client's tax planning and philanthropic goals – or both.

No matter who starts the conversation, you can deepen your client relationships by making them aware of the charitable options they have. Here are four:

Corporate Advised Fund –

Allows the corporation to obtain immediate tax benefits and support the charitable organizations favored by the corporation or a staff matching program. For instance, The Raytheon Company created The Raytheon Fund in Support of Our Troops to support nonprofits that serve U.S. military members and their families.

Private Foundation Alternative Fund –

Allows the corporation to function with a board like a traditional private foundation, but without the significant administrative hassles, payout requirements and management burden. One example is The FEDCO Charitable Foundation, created when the FEDCO chain of stores closed in 1999, after creditors and employee benefits were paid in full.

Disaster Relief Fund –

Enables the corporation to respond to disasters and provide emergency relief to the corporations, stakeholders and communities served by the corporation, such as the Toyota Associate Emergency Relief Program.

Charitable Remainder Trusts –

Using charitable remainder trusts alone or in conjunction with other charitable options, corporations can achieve significant tax savings, support multiple charities, avoid costly capital gains and provide liquidity when corporation founder(s) retire or there is a significant change of control of the corporation.

And here are the benefits they receive through charitable funds or trusts established with and managed by CCF:

Enhanced Personalized Service – Philanthropic and grantmaking consultation support from a dedicated, experienced relationship manager.

Flexible Gift Acceptance – Allows your corporate clients to contribute complex assets beyond cash and publicly traded securities, with greater tax savings offered for real estate, life insurance, interests in closely-held companies and other illiquid assets.

Nonprofit Insights – Assistance and research to identify charities in particular communities or area of interest.

Expanded Scope of Grantmaking Choices – Corporations can make charitable contributions that benefit local, national and global charities.

(continued on page 4)

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Todd Quinn
Chief Financial Officer,
Paradigm



Marie Brooks
Washington
Former Vice President of
Finance and Administration,
Stuart Foundation

Learn more by visiting
calfund.org/board

Meet new CCF development
staff, Don Gottesman and William
Strickland, at calfund.org/staff

53%

of well-to-do families have not included charitable giving in their estate plans.¹

Maybe they're just waiting for you to bring it up.

We can help you create a plan for your clients that reflects what's in their heart and on their mind, changes with them and lasts over time.

To start a conversation about their plans and CCF's Legacy Society, contact Carol Bradford at (213) 452-6266 or cbradford@calfund.org.



The public foundation for individuals, families and organizations in Los Angeles County since 1915.

¹Center on Philanthropy at Indiana University, 2010 Bank of America Merrill Lynch Study of High Net Worth Philanthropy, November 2010.

ENHANCING RELATIONSHIPS WITH CORPORATE CLIENTS

(continued from page 3)

Superior Grantmaking

Expertise – Corporations can enjoy peace of mind that their potential grants will be in compliance with regulations related to charitable giving. They can also designate publicity or anonymity on a grant-by-grant basis depending on their appetite for public awareness of their grantmaking.

DonorConnect 2.0 and

Online Giving Page – Manage philanthropy online from anywhere, anytime through DonorConnect, a password-protected area of CCF's website. A dedicated giving page on the CCF website also allows employees or members of the public to contribute to the fund. As an added benefit, CCF acknowledges all donations for tax purposes, relieving your corporate client of that administrative responsibility.

From its start in 1915 to today, CCF has been managing corporate clients, with a total current portfolio of \$69 million. To learn more, contact William D. Strickland, senior development officer, at wstrickland@calfund.org or (213) 452-6263.

CCF does not provide legal or tax advice. All donors and advisors should consult their tax advisors to properly determine the tax consequences of making a charitable gift to the California Community Foundation.

Contributions to the California Community Foundation represent irrevocable gifts subject to the legal and fiduciary control of the foundation's board of directors.

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The California Community Foundation meets the most rigorous standards in philanthropy and complies with the National Standards of U.S. Community Foundations.



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