



By Renee Sovis, columnist

Michiganders are no strangers to hard work or changing seasons. Many Michigan business owners find that their dedication has led to personal success and the opportunity to give back to the communities that have supported them. And as surely as the seasons change, so do the seasons of life. As a business owner looks toward succession or retirement, a question that might arise is: How can my success continue to make a difference?

Some may wish to formalize their charitable giving, particularly after a major liquidity event, like the sale of a family business or in preparation for estate planning. While there are several ways this can take shape, there are two options that may appeal to high-net-worth individuals: Donor-advised funds (DAFs) and private foundations. Both allow generous people to give strategically, but they differ in several important ways including control, complexity and the kind of legacy they create.

A DAF is a great option. It functions like a charitable investment account. Donors contribute assets to a public charity (such as my favorite, the local Community Foundation, or other institutions like Bank of America Charitable Fund) to establish the fund. They receive an immediate tax deduction and they can recommend grants to be awarded to area nonprofits over time. DAFs are simple, easy to establish and involve minimal administrative overhead for the donor. It is an excellent option when donors want to maximize tax efficiency and take time to plan their giving strategy.

Another great option is a private foundation. This is a 501(c)(3) organization with its own governing board, bylaws and annual tax filings. Because they are self-governed, foundations offer greater control, visibility and the possibility of perpetuity. They can hire staff, make direct grants and engage family members in governance. However, they also come with added administrative and compliance responsibilities.

In short, a DAF offers simplicity and flexibility. A foundation offers structure and legacy.

# DAFs vs. Private Foundations

Choose the right vehicle  
for your giving



To illustrate, here are a few case studies showing these tools at work:

## From community builder to community fund

A successful businesswoman in Livonia sold her company and wanted to support the community that had sustained her success. By donating shares to a DAF before the sale, she avoided capital gains tax, received a full market-value deduction and later created a fund supporting technical education in Wayne County. The DAF allowed her to act quickly and give thoughtfully without building a new organization.

## Keeping the family together

In Detroit, a second-generation family business transformed decades of informal giving into a formal family foundation. The founders wanted their children and grandchildren involved in the causes that were important to the family, while giving opportunities to the next generation to explore their own passions. Each year, the family gathers to review grant proposals, debate priorities and vote on awards. The structure of a private foundation created a lasting framework for shared purpose and a powerful way to teach philanthropy across generations.

## Efficiency over complexity

A professional couple in Traverse City, both running small businesses, use a DAF to manage all their giving in one place. They recommend gifts throughout the year

to their favorite local nonprofits, but receive only a single tax receipt from the community foundation when they donate to their DAF. For them, the appeal lies in efficiency: philanthropy without the paperwork.

## Philanthropy for flexibility

The owner of a small Flint manufacturing firm recently sold his business. He wanted a way to bond with his now far-flung children and grandchildren, while continuing to support causes in his community. He created a private foundation to engage his family while maintaining a DAF for personal, local donations. The combination provided him with the opportunity to continue his own giving in a meaningful way, while offering his family the opportunity to explore causes and issues that align with their interests and values.

## Which structure is best for you?

The right structure depends on your goals, timeline and appetite for involvement. Here's a quick guide, but note: This guide does not include tax implications or legal considerations. Consult with the appropriate advisors for those concerns.

**Set up:** Simple, quick and low-cost for DAFs; private foundations require legal formation.

**Control:** Donations to DAFs are legally out of the donor's control. However, the host organization will honor reasonable recommendations from the donor. Private foundations retain full authority and decision-making.

**Privacy:** DAFs are a great vehicle for families who wish to give anonymously. Private foundations have a public record.

**Legacy:** DAFs have limited succession options that vary by host organization. Private foundations may be set up in perpetuity, with the ability to engage generations far beyond the passing of the original donors.

For many Michigan families, a DAF is a natural starting point. It provides immediate tax benefits and allows time to reflect on long-term goals. A foundation makes sense when philanthropy becomes a family enterprise, where the process of giving itself becomes part of the legacy. Some families use both: a DAF for flexible, lower-profile giving and a foundation for legacy planning and family engagement.

At its core, philanthropy reflects the same qualities that have driven Michigan's family businesses for generations: stewardship, integrity and community care. Whether you choose a DAF, a private foundation, or a combination of both, the goal remains the same: to turn success into significance.

In the end, it's not about the size of your giving structure, but how well it aligns with your values. With thoughtful planning, today's business leaders can build charitable vehicles as enduring as the companies they created and as generous as the communities that helped them thrive.

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