

Setting up a personal named fund

Many people have a desire to put something back into their community and 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 can appear onerous. Any new charity will need to ensure they do the following:

1. Prepare audited accounts annually
2. Decide on an investment policy and monitor the investments
3. Decide on the needs they wish to help meet
4. Agree the level of support to provide each group
5. Advertise their fund, assess applications and carry out due diligence checks
6. Award grants and monitor the impact of the grant

Whilst many individuals have some of the skills to do this work, they may not have the time or the same level of expertise as those in the charity sector. Some people who like the concept of a charitable trust are put off by the cost and compliance requirements.

Heart of Bucks provides a simple, cost-effective alternative to a charitable trust for individuals and family trusts, as well as businesses.

Establishing a fund through Heart of Bucks

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 still enable you to remain as closely involved in the application of your money as you wish. A personal fund with Heart of Bucks works in a similar way to a charitable trust but is much more straight-forward for you to manage. We handle the investment, correspondence, compliance and governance.

Personal funds are bespoke and can be set up in-line with your charitable objectives. You can choose the geographical area of benefit within Buckinghamshire, the causes that you wish to support and your level of your involvement. You can also choose to remain anonymous, if preferred.

Heart of Bucks receives hundreds of requests for funding each year and we have a great depth of understanding as to what makes a good application and viable project. We also know how to reach small groups that many donors might otherwise be unaware of. Our funding checks ensure that applicants have good governance and the skill set to deliver a project that is really needed. This provides a strategic approach to charitable giving and ensures a low level of risk.

Types of funds

There are a few options to consider when establishing a fund and we can work closely with you to explain the choices available to enable you to make an informed decision:

- **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 in 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.

- **Flow-through fund** – sometimes referred to as immediate impact funds, flow-through funds are often established by making an annual donation which is awarded as grants within that year to provide immediate support to local communities.
- **Hybrid fund** – these are very appealing for those donors who wish to grow an endowment 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 Heart of Bucks is that, periodically, we have access to 'match-funding' programmes which provide an uplift on donations into endowment funds. We can provide further details of any current schemes.

Management and contributions to Heart of Bucks

As an independent charity, we are responsible for raising 100% of our administration costs and accordingly, need to ensure that we cover the cost of administering and managing our donors' funds. These are met out of contributions to Heart of Bucks, related to the funds managed.

Benefits

We encourage donations to be made in a tax-effective manner, usually with Gift Aid, where possible. This means that for every £10,000 donated, we can claim back £2,500 at no extra cost to you. We can also accept gifts in cash, shares, land, property or other assets which can also be made tax efficiently.

Donations made using the Gift Aid scheme 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.

You will not have to handle any unsolicited approaches; we manage all the communication, publicity and applications.

However, the key benefit to you is knowing that by setting up a fund through Heart of Bucks, you are making a significant and lasting difference to those in need in the local community without the burden of running a fund yourself.

In short, we take out the stress of giving, making it the pleasure it should be.

There are further advantages that personal funds have over the establishment of a charitable trust. Please refer to our **comparative benefits table** below, which highlights the comparisons.

Comparative table: Setting up a named fund vs charitable trust

A named fund is a ring-fenced charitable fund held by us on your behalf. Named funds are a great way for you to get directly involved in community philanthropy, without the cost and administration of setting up your own charitable trust. Here we offer a comparison of the steps involved in setting up a named fund versus a brand new charity or charitable trust.

	Own charity or charitable trust	Named fund with Heart of Bucks (HoB)
SETUP	Must register as a charity and apply to the Charity Commission. Must appoint a Board of Trustees	Simple fund agreement
COSTS	Likely to be from £1,000	Contribution/donation to HoB, typically a % of fund value
TIME FRAME	May take weeks or months	Can be set up within 24-48 hours
INVESTMENT AUDIT AND TAX	Tax status covered by registration with the Charity Commission. Must fulfil financial and administrative requirements and may incur professional fee costs	HoB handles all financial and administrative management, arranges audit and reports to the Charity Commission. Tax status is covered under HoB's charity status
REPORTING TO AUTHORITIES	Trustees must maintain all financial records, prepare accounts, and submit to the Charity Commission	HoB takes care of reporting to the Charity Commission, particularly the Annual Report and Accounts
GRANT-MAKING PROCESS, ADMINISTRATION AND FOLLOW UP	Donors responsible for own grant-making process, administration and overseeing. Must research and check activities and status of all recipient organisations and has ultimate say in all grant decisions	Donors can be involved as much or as little as they choose. Staff available to help identify and assess grantees, provide input on community needs, ensure follow-up with recipients and report back to donor. HoB verifies activities and status of all potential grantees. HoB grants panel approval required for all grants.
GIVING ADVICE	Donors/trustees responsible for own giving strategy	HoB provides full charitable giving and grant-making know-how to highlight local needs.

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DONOR CONTROL AND RESPONSIBILITY	Donor appoints Board of Trustees to control all aspects of grant-making and investment	Trustees of HoB take on legal and fiscal responsibility for the fund, while the donor chooses grants to organisations vetted by HoB
GRANTS	Often restricted to registered charities. Donors may not know about many smaller groups operating in their areas of interest	Can be made to both registered and non-registered community groups. HoB makes suggestions about lesser known groups that would benefit from funding
PRIVACY	Records filed with the Charity Commission are in the public domain	Anonymity of the donor can be maintained in desired. HoB can serve as a mediator between donor and grant-seekers if desired
PROFILE	Entirely responsible for carrying out own publicity and marketing	HoB can help the donor as much or as little as required. The donors profile can be raised by awarding grants in their name and featuring them in publications
GEOGRAPHY	Donors/trustees determine their geographical reach	HoB operates across Buckinghamshire but partners with other UK community foundations on the delivery of regional and national initiatives that may be of interest to donors
NETWORKING	Must find own network and information sources	HoB connects donors to a variety of groups and issues in the community, and connects like-minded donors through events and initiatives
DORMANCY	Charitable trusts risk dormancy if the donor passes away, the cause becomes obsolete or the initial momentum to set up the fund has slowed	Charitable gifts invested in named funds will benefit the community forever and not become dormant, as HoB will honour a fund holder's wishes, even after they have passed away

Ready to find out more?

Please contact Peter Costello, CEO on 01296 330134 or email Peter@heartofbucks.org