



HIGHTOWER  
Trust Company

# CASE STUDY

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### Private Foundation

**CLIENT PROFILE:** Jeff and Sarah Stone are preparing for their transition from C-suite executive positions into the next stage of their lives. Although they are excited to finally be retiring, they still want to have a sense of purpose and be a part of something they can lead, while also spending more time with their family. The Stones spoke with their Hightower Advisor, Patrick, about their plan to take an extended overseas vacation to visit friends and favorite locations. Their intent is to come back refreshed and start a newly organized family foundation. With estate plans in order, the Stones worked with Patrick to design their wealth so they have the excess financial capacity to enjoy the remainder of their lives in comfort.

**CHALLENGE:** The Stones will receive a significant retirement package at the end of this year, resulting in a corresponding tax liability. They are aware that they can offset up to 30% of their Adjusted Gross Income (AGI) with a private foundation. They also know they will need legal work and IRS filings to get the foundation organized in advance of a contribution this year.

**SOLUTION:** Patrick requested permission to reach out to the Stone's attorney to begin drafting a Private Foundation, with Jeff and Sarah as Trustees, and complete the required filings for tax-exempt status. He also worked with a local philanthropic consultant to plan an family meeting in the spring for the purposes of mission development and determining grantmaking processes and routines for both the adult children and grandchildren. The consultant also recommended Jeff and Sarah schedule time following the family meeting to record a video message and outline an ethical will for their next generations, highlighting the foundation's mission and legacy. It is important for them to be actively involved in organizing their private foundation during their lifetime, rather than leaving it incomplete after they pass.

Patrick pointed out that there are significant administrative requirements on private foundations that the family might not want to be responsible for. He recommended appointing Hightower Trust Company as Agent for handling these administrative duties.



The Agency solution would keep the Stones in control of making key decisions but also, with the ability to lean on Hightower Trust Officers for additional support. Patrick's role would be managing the foundation assets and keeping the Stones compliant with IRS rules and state-level Attorney General oversight. Hightower Trust Company's duties as Agent for Trustee would be:

1. 990-PF tax preparation and Required Minimum Distribution (RMD) calculations
2. Investment Policy Statement (IPS) development
3. Money movement and processing of grant distributions as directed
4. Principal and income accounting

Lastly, Patrick confirmed funding could be transferred to the foundation account utilizing the private charity tax treatment of 30% of Adjusted Gross Income (AGI) to fund the trust with cash from their collective bonuses before year-end. This helps avoid income taxation on those assets. The rest of the funds net of the taxes and their holiday will be invested, and he will look for opportunities over time to contribute highly appreciated stocks from the Stones portfolio to the foundation as a strategy to reduce capital gains taxes.

**RESULTS:** Jeff and Sarah were able to complete their final year of corporate life with the comfort of knowing they will be able to take their trip and return to a new career running their family's foundation. Not only are they happy they can focus on developing their legacy, but also to be surrounded by family, all the right partners and support for a combined charitable purpose.

**CONCLUSION:** In addition to the significant support Patrick provided the Stones in their retirement planning and wealth design efforts, he was able to work with their attorney to organize the foundation, plan for administration in partnership with Hightower Trust Company acting as Agent and implement the Stones plan for running their family foundation as a new career. This combined relationship met the complex needs and plans for the Stone family's retirement, travel and transition to a higher charitable purpose.

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