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New York, NY | **Leading Wealth Advisor**

Beacon Wealth Management

Mark S. Germain, CFP®, MBA, Founder and CEO

“What are the advantages and disadvantages of setting up my own family foundation?”

By Mark S. Germain

Giving is a key driver of happiness.

The mental effects of altruism are backed by research and proven to improve quality of life and to enhance peace of mind. Figures on American philanthropy in 2010 showed that total giving, when adjusted for inflation, was up 3.8 percent, according to a report by the American Association of Fundraising Counsel. The decisions of who, what, how and why you give are as personal as the donation itself.

A family foundation is an entity created with the purpose of receiving, holding and investing funds and then becoming a conduit for giving. Donated funds are direct from the foundation itself, which, by law, is required to annually dispense a minimum of 5 percent of its assets. Because a foundation is normally a perpetual identity, it can exist long into the future and serve various philanthropic wishes.

Family foundations are great for contributing significant amounts of money to charitable causes, and they provide immediate tax benefits for you and your estate. Unlike public charities, a family foundation does not solicit funds from the community. It is established as a nonprofit corporation or trust and operates under the scrutiny of the Internal Revenue Service and the attorney general of the state in which it was organized and operates.

ADVANTAGES

01 Tax Benefits. Family foundations are considered charitable organizations; earnings are tax-exempt and no capital gain is realized when appreciated property is donated to it. Additional operating expenses also can be deductible (check with your tax advisor).

02 Estate Tax Benefits. A foundation reduces current income tax obligations while removing assets from one's estate. Gifting can be accomplished for multiple years at one time (tax rules set maximum percentage of income that can be deducted each year).

03 Family Legacy. A foundation can carry your name and can provide employment to family members. It can also act as a lasting memorial to a family member or loved one.

04 Control and Efficiency. A foundation allows you to control and manage the investments and creates an organized, systematic vehicle for charitable giving.

DISADVANTAGES

01 Time Commitment and Operating Costs. Setting up a foundation requires time and significant legal, accounting and bookkeeping fees. Costs of ongoing

maintenance, such as meeting minutes and reporting activities, must be considered.

02 Regulatory Requirements. A foundation pays from 1 to 2 percent tax on its annual income. It is also required by law to annually distribute at least 5 percent of the fair market value of its assets.

Talk with your trusted advisor; learn the costs and how to accomplish the goals in the most efficient manner for you and the family. Continue to gift, and feel the joy it brings to the recipients as well as to yourself. ☺

DECIDING FACTORS

Family foundations have both advantages and disadvantages that require careful consideration and thought prior to their origination. A recap:

Why start one?

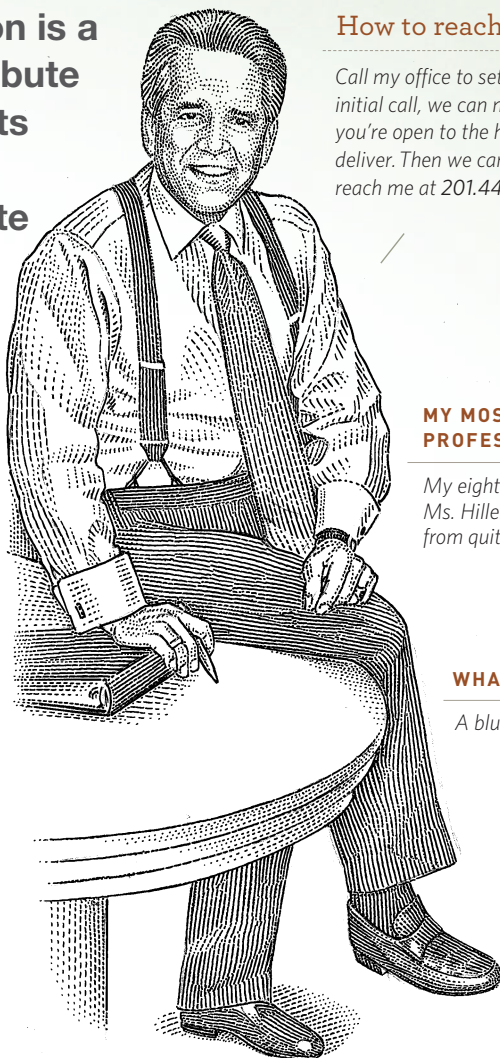
1. Tax benefits
2. Estate tax benefits
3. Family legacy
4. Control and Efficiency

What to watch out for:

1. Time commitment and operating costs
2. Regulatory requirements

“A family foundation is a great way to contribute meaningful amounts of money . . . while providing immediate tax benefits.”

– Mark S. Germain



How to reach Mark S. Germain

Call my office to set up a phone consultation. In an initial call, we can make sure our values align and that you're open to the high level of customer service we deliver. Then we can determine next steps. You can reach me at 201.447.9500.

WHAT MAKES A GOOD WEALTH ADVISOR...

A blunt, honest and client-focused listener

MY MOST INFLUENTIAL PROFESSOR/TEACHER...

My eighth-grade art teacher, Ms. Hillerhouse. She saved me from quitting.

WHAT MAKES A GOOD CLIENT...

A blunt, honest and inquisitive mind

About Mark S. Germain

Mark S. Germain is the founder of Beacon Wealth Management. A relentless tactician, Mr. Germain has managed his clients' financial lives with passion and precision for more than 26 years. In addition to his work building wealth management strategies for professionals, Mr. Germain educates professionals on all facets of asset protection, investment growth, tax reduction and financial planning. After completing his BS degree in economics and accounting, Mr. Germain earned his MBA degree in finance and taught accounting at Northeastern University. He is currently an adjunct professor at Fairleigh Dickinson University where he teaches CFP candidates the financial planning process.

Assets Under Management
\$328 million

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$1 million

Largest Client Net Worth
\$50 million

Financial Services Experience
26 years

Compensation Method
Asset-based, fixed and hourly fees

Primary Custodian for Investor Assets
TD Ameritrade

Professional Services Provided
Planning, investment advisory and money management services

Association Memberships
CFP, FPA, IMCA

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