



The Wilson Group at Morgan Stanley

Eric S. Wilson, CIMC®, Family Wealth Director

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“Philanthropy, benevolence and the IRS: What should I know when giving from my private family foundation?”

By Eric S. Wilson

In its definition of “philanthropic,” the dictionary includes the word “benevolent,” but the IRS holds a slightly different view: Tax laws severely restrict foundation grants to individuals because Congress was concerned about the extent to which some private family foundations (PFFs) had been making grants. For instance, some donors claimed grants to individuals were made for educational purposes, but these gifts, in fact, were bestowed to serve private interests. Some foundations awarded grants to enable grantees to take vacations abroad or prepare materials furthering specific political or legislative viewpoints. Thus, the transgressions of some made things more difficult for all.

Although the following exception is not widely known, the IRS, subject to advance approval, does allow PFFs to provide funds to individuals for emergency relief or hardship assistance in circumstances such

as loss of employment, illness and temporary displacement. (See IRS Publication 3833, “Disaster Relief, Providing Assistance through Charitable Organizations.”)

Further, the tax regulations do not prohibit grants by a foundation to indigent individuals for their material support. However, all payments or expenditures by a PFF, whether or not made in the form of a grant, and whether or not made to an individual, are required to be for charitable, religious, educational, scientific or other exempt purposes.

Thus, whenever a PFF makes a grant or other payment to an individual which is not for travel, study or similar purposes, the foundation should always (i) satisfy itself that the grant or payment is for an exempt purpose; (ii) take steps to ensure that the grant or payment will be used solely for an exempt purpose; and (iii) maintain meticulous records which will substantiate the exempt purpose of the grant or payment.

For example, a family who has a PFF may assist another family who is burdened with devastating medical bills for their child’s cancer treatment. Or the donors may give emergency grants locally to families whose homes have been destroyed by a hurricane. The possibilities for this kind of benevolence are without end, yet are not often contemplated by families with PFFs.

One final word will be a word of caution: Every family with a PFF should recognize that there is a much higher burden of accountability for foundations that give directly to individuals, and in case of doubt about the grant qualifying, the family would be wise to consult with a tax attorney and/or obtain a ruling from the IRS.

While nothing prevents you from simply writing a check to someone in need, a PFF allows you to provide emergency assistance to individuals and families using dollars for which you’ve already received a tax deduction. ☺

Eric S. Wilson is a Wealth Advisor with the Wealth Management division of Morgan Stanley in Macon, Georgia. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Smith Barney LLC. Member SIPC, www.sipc.org. Morgan Stanley Financial Advisors engaged Worth to feature this article. Eric S. Wilson may only transact business in states where he is registered or excluded or exempted from registration, www.morganstanleyfa.com/thewilsongroup. Transacting business, follow-up and individualized responses involving either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made to persons in states where Eric S. Wilson is not registered or excluded or exempt from registration. Morgan Stanley and its Financial Advisors do not provide tax or legal advice. Individuals should seek advice based on their particular circumstances from an independent tax advisor. CRC1152816 08/15

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—Eric S. Wilson

How to reach Eric S. Wilson

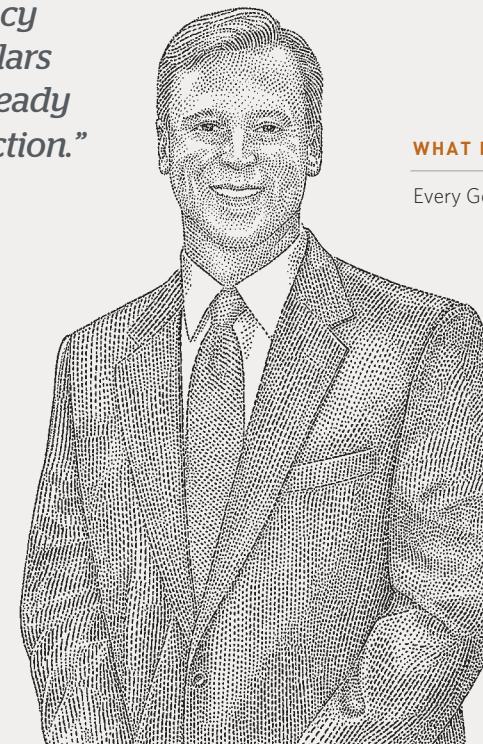
Families may reach me with questions or with interest at 877.442.5445 or eric.s.wilson@morganstanley.com.

WHAT I’M READING NOW...

Every Good Endeavor, by Timothy Keller

MY HOBBIES ARE...

Being a husband and a father, playing tennis, upland hunting and reading



WHAT MAKES A GOOD CLIENT...

A first- or second- generation family of wealth that desires to improve the odds of the successful transition of its wealth to subsequent generations

About Eric S. Wilson

Eric S. Wilson is a wealth advisor and senior vice president at Morgan Stanley, and for the past 20 years he has served the varied needs of families whose wealth has the potential to change the essential nature of their descendants’ lives. Mr. Wilson began his career at Merrill Lynch in 1994, where he served until joining Morgan Stanley in 2010. For his work with affluent and high net worth families throughout the southeastern United States, he has been specially designated at Morgan Stanley as a family wealth director. Achieving this prestigious designation meant adhering to stringent quantitative and qualitative requirements set forth by Morgan Stanley and now provides him with customized and dedicated resources from around the firm, which benefits his clients by providing them with many of the same services offered by family offices. Mr. Wilson is a Certified Investment Management ConsultantSM (CIMC®), an Accredited Investment Fiduciary Analyst (AIFA®) and a member of the Association of Professional Investment Consultants. He serves on the advisory boards of the Community Foundation of Central Georgia and Children’s Hospital of Central Georgia. He and his wife, Cindy, are proud parents of four sons, ages 13, 13, 13 and 6.

Assets Under Management
\$2 trillion (Morgan Stanley Wealth Management, as of 8/31/14)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$5 million (planning services); \$2 million in investable assets (investment services)

Largest Client Net Worth
\$25+ million (as of 7/31/14)

Financial Services Experience
20 years

Compensation Method
Asset-based fees and commissions (investment and insurance products)

Primary Custodian for Investor Assets
Morgan Stanley Smith Barney LLC

Professional Services Provided
Planning, investment advisory and money management services, advanced wealth transfer planning and liability management

Association Memberships
IMCA, Fiduciary 360 (www.fi360.com)

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