Deseret Trust Company Services Podcast – An Interview with John Barger

CHAIRMAN AND PRESIDENT/CEO

John M. Barger joined Deseret Trust Company in 2013. He previously worked for brokerage and bank-affiliated trust companies and investment management firms in Montana and Utah, serving as senior trust administrator, senior trust officer, and senior vice president.

His main responsibilities include:

- Serving as the chairman of the board of trustees.
- Developing and stating long-range company objectives.
- Monitoring the financial health of the company.
- Recruiting and motivating qualified staff.
- Overseeing the annual operating budget and capital expenditures.
- Overseeing trust and custody accounts.
- Serving as a liaison to The Church of Jesus Christ of Latter-day Saints.

Education and Experience:

- Bachelor of Arts (Literature in English)—Excelsior College
- Master of Education—Montana State University
- Graduate of Cannon Personal Trust School
- Certified Trust and Financial Adviser—Institute of Certified Bankers
- Certified Specialist in Planned Giving—American Institute of Philanthropic Studies
- Past member of the Utah Planned Giving Roundtable Board of Directors

Q: What can you tell us about Deseret Trust Company?
A: Deseret Trust Company is an integrated auxiliary of The Church of Jesus Christ of Latter-day Saints. Deseret Trust Company (DTC) was created in 1972 to assume the asset management and fiduciary accountability functions with respect to certain gifts.

Q: What is DTC's primary business?
A: CRTs, CGAs, DAFs

Q: Do you have minimums to set up an account?
A: Account Minimums

Trust (CRAT, CRUT, etc.) $50,000
Online Donor Advised Fund $5,000
Regular Donor Advised Fund $150,000
Charitable Gift Annuity $25,000

Q: Does DTC charge fees and, if so, what are they?
A:

Fee Schedule:

Annual; each month, 1/12 of percentage is taken out based on FMV
0.9% of first $500,000*
0.56% of next $500,000

0.34% of next $1,000,000
0.22% over $2,000,000
No investment fee, set up fee or other fees

*Minimum fee of $300 ($25/month)
Minimum **online** Donor Advised Fund for $75- per year ($6.25/month)
The fee for charitable gift annuities is 1% of the gift amount with no minimum.

Q: If money is going to the Church, and you are part of the Church, why do you charge fees?
A: Deseret Trust Company is an integrated auxiliary of the Church, but not a budgeted department. We receive contributed services from other Church entities, but we need to pay our own expenses, such as salaries and rent.

Let's talk about DAFs specifically since you indicate they are now the largest part of your business.

Q: How do your DAF costs compare with other donor-advised funds like Fidelity or Vanguard?
A: It's important to note, first, that we do not view other DAF sponsors as competitors. We view them as partners and each DAF has its own unique features that are more well-suited for some donors than others. As for the fee schedule, the one I shared is the only fee associated with our DAF. Other sponsors may have an administrative fee and then a management fee at the asset level. For example, a DAF sponsor might charge 0.60% for an administrative fee, but then charge management fees on top of that such that the total cost could be significantly higher.

Q: How are the funds invested?
A: Our DAF is invested in common trust funds. Common trust funds are like mutual funds, but are not publicly traded. The Church investment department helps with the selection of individual securities that are owned by the common trust funds. Once a donor has made a gift to DTC, they have given up control of the assets. We allow the donor to make a recommendation for the investment of the fund, but it should be based on what kind of pattern the donor anticipates with the grants, not as an investment decision. For example, if the primary purpose is to save for children and grandchildren missions that may be in 5+ years, so we would likely encourage a growth allocation. If, however, the donor anticipates making grants for most of the funds within the next 1-3 years, we would likely encourage either Income or money market as the allocation.

Q: What is unique about a DTC donor-advised fund compared to other DAFs?
A: The DTC DAF has a guideline that on a 2-year calendar year rolling average, 40% of grants be made to a Church entity such as tithing, fast offering, ward or general missionary, humanitarian, or a Church school. The other 60% can be made to any domestic 501(c)(3) public charity with a mission that is compatible with the standards of the Church.

Q: Can a DTC grant be made internationally?
A: DTC can certainly make distributions to qualified U.S.-based charities with a global mission. However, direct grants to international charities will require DTC to conduct additional due diligence. This could involve what are called an Equivalency Determination and Expenditure Responsibility. We would need to analyze the charity's incorporating documents and financials, as well as conduct an OFAC screening of all principals and board members involved with the charity.

Q: Can a donor transfer the required minimum distribution from their IRA to a donor-advised fund?
Yes, but without taxable benefits. Transfers to donor-advised funds were specifically excluded from what is called the "Charitable IRA Rollover." If a donor wants to fund a DAF with IRA assets they will need to take a taxable distribution from the IRA and then an income tax deduction for the amount contributed to the DAF. However, the Philanthropies Gift Planning Services team, as well as a donor's professional advisors, can explore with a donor whether a designated purpose fund, instead of a DAF, would fit their philanthropic objectives, since such funds are not subject to the same limitations as DAFs when it comes to IRA distributions.

Q: Can a donor to the Deseret Trust DAF have funds automatically withdrawn from their bank for contributions to the DAF?
A: Deseret Trust does not currently initiate automatic withdrawals from bank accounts. The donor can make the contribution by sending a check or a wire. However, some of our donors have used their financial institution's online bill pay service to schedule recurring contributions to their donor-advised fund.

Q: Can a donor use a credit card to make contributions to their donor-advised fund at Deseret Trust?
A: Yes

Q: Can other people contribute to a particular donor's donor-advised fund?
A: Yes. The donor is also typically the advisor on the account, but anyone can contribute to the original donor's fund and be eligible for a tax deduction. They need to understand, however, that they will not have any right to make recommendations or see activity of the fund, unless the donor who set up the account so specifies. Also, we wouldn't encourage someone to use their DAF as a fundraising vehicle.

Q: If an employer matches gifts to charity, does a DTC donor-advised fund qualify?
A: Maybe. Each company that matches charitable contributions gets to decide the conditions. The donor would need to contact their employer to see if they will match contributions to the donor-advised fund. We have some that do, and some that won't match a donor-advised fund contribution. Some also decline to match contributions to religiously-affiliated entities.

Q: If a donor has a donor-advised fund at Fidelity/Schwab/Vanguard. Can the donor transfer it to Deseret Trust Company?
A: Yes. The donor would simply make a grant recommendation to Fidelity to have funds sent to Deseret Trust Company. We have had donors transfer from other funds.

Q: How are online DAF requests processed once received by Deseret Trust?
A: A donor can make their grant recommendation and we will review the charity to make sure it complies with our requirements. The common trust funds are only bought and sold once each month, as of the last business day, so grants checks are sent after we have a chance to sell common funds units, if necessary. Grants will be made by the 10th of the month following the donor's recommendation. For

example, if a donor submits the grant recommendation on the 5th of November, common fund units will be sold as of the 30th of November, and the check will be sent to the recommended charity by the 10th of December.

Q: Do you give donors some recommendations about grants to charities?
A: Deseret Trust does not make recommendations for charities to receive grants. We encourage donors to discover causes that they and their family are passionate about. If the donor wants, we can provide them with a list of the funding priorities as established by the Presiding Bishopric or introduce them to a Donor Liaison from the Philanthropies Department of the Church who can assist them in obtaining information about the needs of various Church initiatives.

Q: Can a donor make grant requests from a DAF for children's and grandchildren's missions?
A: Yes. It's important to understand though that these funds do not go directly to individuals. The funds are sent directly to the Church and credited to the particular ward checking account. We will communicate with the ward to make sure it is properly accounted for.

Q: How about a mission for my spouse and myself?
Currently, we are not making grants from DAFs for the donor's mission. We recommend that a separate designated purpose fund be established for their mission and that a grant covering the entire mission be made from the DAF to the designated purpose fund. Grants from the designated purpose fund are made to the ward missionary fund and are limited to the housing amount and possible car allowance that are deducted from the ward missionary fund.

Q: What about DAF grants to college athletic departments such as the Cougar Club?
A: A donor can make grants to the athletic department of their favorite university, but the donor cannot receive preferential treatment, or financial benefit, in exchange for the grant. If the grant is required to get better seating, or ticket prices, the donor cannot make the grant through their donor-advised fund. When a donor makes the grant recommendation the donor acknowledges that they will not receive any benefits from the grant, and we send the check to the university with a disclaimer that they are not to give the donor any benefits in exchange for the grant. These rules apply not only to athletic club memberships but to any distribution for which a donor would receive substantive membership benefits.

Q: If a donor is an officer for a charity, can their donor-advised fund make a grant to that charity?
A: Normally the answer to this question is yes, but it depends on the nature of the charity. If it is a private foundation or support organization and the donor or their family exercise control over the operations of the charity, we will need to get more information. If the charity is a public charity then the donor can serve on the board, or as an officer, and still make grants to the charity.

Q: Are there any other restrictions?
A: The donor-advised fund cannot make a grant to a charity if it results in a benefit to the donor or any member of the donor's family in any way (e.g., to pay for the donor's child to go on a trip). It cannot be made to satisfy a pledge the donor has made to any charity, and it cannot be used to help a specific person (e.g., a neighbor having financial struggles).

Q: How long can a donor-advised fund continue?
A: The DAF can be perpetual with a donor's posterity, or anyone the donor appoints, taking the donors' place as advisors to the fund. The donor-advised fund can be a tool to help donors pass along to their descendants their passion for supporting worthwhile causes.

Q: Can a donor direct DTC to hold a specific asset that the donor contributes to a donor-advised fund?
A: Wherever possible we sell all marketable securities as soon as they are received and use our common trust funds for investments. The donor gives up complete control of any asset contributed to a donor-advised fund, so legally a donor cannot direct us to do anything. That is why donations to a DAF enjoy the same donor tax benefits as the donor giving directly to a public charity.

Q: Can a donor contribute a closely-held business?
A: Currently we will consider a C Corporation, but not an S Corporation. We will also consider limited partnership (LP) and limited liability company (LLC) interests. There must be a sale coming within a month or so. We will not hold these assets for an extended period. Closely held entities require approval from the Church's Gift Review Committee and a due diligence review by our legal counsel. The process takes about 2-4 weeks, although that can be expedited in exigent circumstances. The donor needs to make sure they have not entered into any agreements to sell the asset prior to donation.

Q: Can a donor contribute real estate?
A: On a case-by-case basis we will consider real estate. Normally, it needs to be a lot owned without debt, not improved (i.e. not an apartment, home, condo, commercial property) that is in Utah. The Church real estate department performs due diligence on these assets and it can take between a month to three months to get an approval. Just as with closely-held business interests, there needs to be a likelihood that the property can be sold quickly, but no agreements can be in place at the time of contribution.

Q: Do you have a mobile app that I can use to access my donor-advised fund?
A: A mobile app is under development, but not currently available.

Q: Who can a donor name as advisors to their donor-advised fund?
A: A donor can name anyone they want, but they need to be older than 18. The donor and their spouse will normally be advisors. Families will often also name adult children. The donor can designate advisors who can only view activity for the fund, but not make grant recommendations, or give them full access to the fund. Donors should be aware that anyone with full access can make a recommendation and, if we approve, we will send the funds without further contact with the donor.

Q: How is a donor's contribution valued for tax purposes?
A: If the contribution is cash (or wire) the receipt will indicate the amount of cash and the date received. If it is a contribution of stock, bonds, mutual funds, or closely-held assets, we will indicate the name of the asset, the shares, and the date received. For non-cash contributions, the donor is responsible to determine the value for their income tax return. For stocks and bonds, the value is the average of the high and low trade on the day we receive them. For mutual funds, it is the closing value of the fund on the day we receive it. The donor can have their tax preparer assist with this. Real estate and closely-held business interests will require that the donor file a Form 8283 with their income tax return. The form 8283 must be signed by a certified and qualified appraiser indicating the value. The date the appraisal is made cannot be more than 90 days before the contribution, but can be made any time after the contribution, up to the date the donor files their tax return.

Q: Why a DAF?
A: Donors like the stewardship aspect, to do what they want done--see the need and fulfill it. Increased generation participation. A DAF allows a donor to separate the timing of their gift to charity from the immediate income tax deduction, giving the donor time to thoughtfully consider and execute a philanthropic giving strategy.

Q: How do private foundations differ from a donor-advised fund?
A: Donor-advised funds and private foundations can both accomplish a donor's charitable intent, but with a few key differences.

o Contributions of cash to a donor-advised fund are deductible up to 60% of a donor's adjusted gross income.	o A private foundation limits the deduction to 30% of a donor's adjusted gross income
o A donor-advised fund is simple and does not incur any setup costs and currently has no IRS filing requirement.	o A private foundation must be drafted by an attorney and must file annual reports to the IRS.
o Donor-advised funds do not currently require any annual distributions.	o Private foundations are required to distribute at least 5% of its assets each year.
o Donor-advised funds do not pay income taxes.	o Private foundations are required to pay an excise tax of between 1 and 2% of investment income each year.
o Grants from donor-advised funds can be totally anonymous.	o Private foundations must file a form 990 with the IRS indicating who received grants. This information is generally available to the public.
o Donor-advised funds cannot hire family members to provide services, or pay for their activities in recommending grants.	o Private foundation may be able to provide compensation to, or reimburse expenses to family members.

Thank you, John, for enlightening us about the charitable products and services DTC provides.

Q: I would like to conclude with a question that has a little broader scope but which I think the answer to is one our listening audience would very much like to hear. In the October 1999 Priesthood session of General Conference, President Gordon B. Hinckley gave a talk entitled "Why We Do Some of the Things We Do." In that talk he made the following statement: "The Church is an ecclesiastical organization. It is an eleemosynary society. It is concerned primarily with worship of the Lord Jesus Christ. Our great mission is to testify of His living reality. We should not be involved with anything not in harmony with this major objective. We should be involved with whatever is in harmony with this objective." President Hinckley then conceded that "We do many things which on the surface do not appear to be associated with this overriding pattern." He then went on to explain why we

nevertheless do some of those things. One was regarding Church-owned universities and another was Church-owned businesses. So my question to you John is, "why DTC?"

A:

Thank you for the insightful answer, John. You've given us much to think about.