



Benefits of a Component Fund with the Northwest Minnesota Foundation

The Northwest Minnesota Foundation is a community foundation. We are a grant-making public charity that is dedicated to improving the lives of people in Northwest Minnesota. As a community foundation, we also can hold funds for the behalf of communities, organizations, donors, and purposes throughout our region.

Benefits of housing a component fund with NMF.

A component fund attracts and **preserves capital assets** for the changing and future needs of the community. An endowed component fund seeks permanent endowment funds, providing a long-term capital base that has the flexibility to meet the changing needs and opportunities of tomorrow.

A component fund provides a **vehicle and a service** for donors, sometimes with varied interests.

- Often donors want a way to give to their community, but not necessarily to city government.
- Some donors do not want to give for operating funds, but prefer funds that are permanent and long lasting.
- Other donors cannot give annually, perhaps only in their will, or when assets become available; timing is important and the structure needs to be in place.
- Some donors want to simplify their giving, make one unrestricted gift to the component fund and rely on the fund to apply the gift where it is needed most.

Component funds can be a **voice and presence** to enhance philanthropic awareness in the community.

- Don't leave charity to chance; communities need leaders willing to make the case for philanthropy whether there is a current crisis or not.
- 3 out of 4 people do not have a will; some die still planning to give to the community and its charities.
- With a voice and a structure, lawyers, accountants, bankers, those counseling others, are reminded of the community and its needs.

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- A component fund may make charitable grants from income each year and still experience **growth of principal**, becoming a durable community resource.

While some individuals do well managing their own assets (and making a gift each year), many people cannot. A **well-managed charitable fund** can act as a much-needed framework.

1. In spite of intentions, many are not well organized or disciplined in financial matters, and cannot duplicate the investment strength of a component fund.
- Since circumstances can change for even the most disciplined and organized, (illness, accident, death), a component fund needs to be in place when they are ready and able to give.
 - Those who manage their assets the best need to join with others in creating a vehicle that is useful for all.

A component fund is a **means of giving**, not just another place or program seeking gifts – a flexible resource for individuals, organizations, corporations, and other foundations.

- A component fund is a partner with other charities, funneling support to them, connecting new needs and new donors to established organizations.
- The fund may serve as a convener, coalition-builder, a collaborative partner with other funders in supporting a broad range of community activities.
- Smaller existing programs could affiliate with the component fund – saving time, expense, duplication of effort, and work with a common agenda.

A component fund provides access to **sophisticated fundraising vehicles**.

- Donors and charities benefit from careful planning and access to top professional insight into minimizing taxes and taking advantage of tax laws.
- Some charities giving strategies can even improve the donors financial position, e.g., a charitable remainder trust funded with highly appreciated, long-term gain property.

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We believe Northwest Minnesota offers boundless opportunities.



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Every community could benefit from a source of funds that are available for creative, unplanned, or new initiatives; a component fund is especially **responsive** to extraordinary community needs.

- There is an independence to component funds to move quickly or imaginatively that is different from government or organizations with ongoing budget commitments.
- Communities need contingency resources, managed by a representative group of citizens who see the community as a whole.

Component funds become a means of **developing community leadership**, and moving the community forward, as a convener, catalyst, an important third sector in problem solving.

- Occupies neutral turf; provides impartiality in political matters; it can urge all partisan interests to rally behind ideas and programs.
- Serves various nonprofits by counseling, planning, perhaps by assisting with staff training and providing technical assistance.
- A stimulus for collaboration and cooperation.

While other organizations' financial programs or endowment funds could match some of these services provided by a component fund, together they add up to a strong and powerful new tool for community life.

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