



## HOW DO I CREATE A PRIVATE FOUNDATION?

A foundation can be created as a corporation or as a trust. Generally, it is easier to form and administer a trust than a corporation. If you establish the foundation as a trust, then certain powers (such as termination and amendment powers) should be included in the trust agreement to make the trust as flexible as possible. The trustees should also be given the power to incorporate the foundation in case that later becomes desirable.

Normally, the corporate form is chosen when a foundation is expected to engage in activities that expose its managers to a greater risk of liability, such as providing services or goods to or holding facilities open to the public. The trust form is often used when a foundation will carry out its tax-exempt purposes by making grants to other charitable organizations. However, the choice between a trust or corporation may depend on how comfortable you are with corporate governance procedures and, possibly, also on the number of individuals you wish to have participate in governing the foundation.