



Donor Advised Fund Q&A

OVERVIEW & BENEFITS

Q1. What is a Donor-Advised Fund (DAF)?

A1. A donor-advised fund (DAF) – provides donors with a centralized charitable DAF account. It allows inclined individuals, families and businesses to make an irrevocable gift to a public charity that sponsors a DAF and take an immediate tax deduction. Most DAFs accept cash equivalents, securities, and other assets.

Q2. How does a Donor Advised Fund work?

A2. Donors make an irrevocable, tax-deductible contribution of cash, long-term appreciated securities or other assets to a charity that sponsors a DAF program, which then establishes an account in the donor's name. DAF donors may choose from investment options and then, proceeds are put into an account from which donors may make grant recommendations.

Q3. Why do donors choose to have a Donor-Advised Fund?

A3. Donor Advised funds offer donors a way to plan, manage and potentially grow their charitable giving. Benefits include:

- *Simplicity* – The DAF sponsor handles all record-keeping, disbursements, and tax receipts.
- *Flexibility*– Timing of your tax deduction can be separate from your charitable decision making.
- *Tax-efficiency*– Contributions are immediately tax-deductible and any investment growth in the DAF is tax-free. It is also easy to donate long term appreciated securities, eliminating capital gains taxes and allowing you to support multiple charities from one block of stock.
- *Family legacy*– A DAF is a powerful way to build or continue a tradition of family philanthropy.
- *No start-up costs*– There is no cost to establish a donor-advised fund. However, there are often minimum initial charitable contributions to establish the DAF (typically \$5,000 or more).
- *No transaction fees*– Once approved, 100% of your recommended grant goes to your qualified public charity of choice.¹
- *Privacy, if desired*– Donors may choose to remain anonymous to the grant recipient.

HOW DAFS WORK

Q4: How does a nonprofit get into a sponsoring organization's database to be considered by a donor?

A4: Sponsoring organizations of DAFs get the list of qualified public charities directly from the IRS databases. Donations from a donor-advised fund can be made to charitable organizations that are listed as tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3) and public charities under IRS Section 509(a). Grants can also be made to private operating foundations or state or local government organizations qualified to receive tax-deductible charitable contributions, such as state colleges or universities as defined in Internal Revenue Code Section 170(c)(1).

¹Sponsoring organizations generally assess an administrative fee on the assets in a DAF. These fees vary by organization



Q5. How are grant recommendations reviewed and paid?

A5. A charity that sponsors a DAF program reviews grant recommendations to ensure that the recommendation is in accordance to donor-advised fund guidelines. Once approved, the funds are paid by check in first class mail or transferred electronically depending on the DAF.

Q6. Should nonprofits send tax receipts when receiving a DAF grant?

A6. There is no need for you to send tax receipts as the DAF donor already received a tax receipt from the charity that sponsors the DAF.

Q7. Do sponsors of donor-advised funds accept nonprofit requests for proposal?

A7. No, DAF donors are self-directed in their charitable giving and therefore do not look to the sponsors of the DAF programs for recommendations about where to give, but to help them donate more effectively and efficiently.

FUNDRAISING SUPPORT

Q8. How can I target my fundraising efforts to connect with DAF donors?

A8: The good news is that fundraising from our donors likely does not require a significant departure from your current fundraising efforts. So the fundraising tips we offer focus on welcoming donations from DAF donors through your current fundraising efforts.

Three activities that can positively influence your fundraising from DAF donors are:

1. *Talk to your donors about how they give* - Today's donors have a variety of giving vehicles to choose from – private foundations, donor-advised funds, trusts, and more – and they are sometimes using multiple vehicles to support their philanthropy. When meeting with donors, ask them how they give, why they chose that method, and how your organization can make it easier for them to support you.
2. *Recognize your DAF donors* – It's likely that some of your existing and prospective donors are using DAFs to support their philanthropy. One way to find out if your organization receives grants from DAFs is to review incoming checks or electronic transfers. When a donor recommends a grant from their DAF, the funds come from the charity that sponsors the DAF program. Included with the funds are the account and address information if the donor discloses. As a guideline, Fidelity Charitable, the largest DAF in the country, reports that approximately 91% of their donors disclose their full contact information.

One suggestion is to add “donor-advised fund” as a giving option on your table cards at events or in your other fundraising materials. Then as a follow up, acknowledge the donor's gift.

3. *Simplify giving for your DAF donors* – DAF Direct is a free and easy-to-use online application that can be added to nonprofit websites alongside credit cards or other giving options. The application enables DAF donors to initiate a grant recommendation from your website, making it easier for them to give from their DAF. Visit the [DAF Direct website](#) for more information.



Q9. What resources can I access and review to learn more about DAF donors and their giving trends?
A9: [National Philanthropic Trust](#)®, [Vanguard Charitable](#)® and [Fidelity Charitable](#)® all publish annual reports that can be found on their websites.