

Donor Advised Funds

## SIX WAYS TO GET YOUR SHARE OF DONOR ADVISED FUNDS

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Are you baffled about Donor Advised Funds, or at least about how to cultivate and solicit them? If so, I will explain six ways you can promote donor-advised fund giving.

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So, what is a donor advised fund? The primary benefit of a donor-advised fund (DAF) is that it allows someone to donate assets for charity today – and receive a tax deduction now – even though the actual funds may not be granted to your charity until later. In other words, the donor-advised fund essentially enables the donors to receive a tax deduction when the money goes into the DAF, while the donors decide when the assets will finally leave the DAF and go to your charity. In the meantime, the assets inside a donor-advised fund grow tax-free.

Of the estimated \$358 billion in annual charitable contributions in the U.S., donor-advised funds receive more than \$19 billion. Overall, the share of total giving going to donor-advised funds has been increasing since at least 2007.

***Here are six ways to promote donor-advised fund giving:***

**1. Promote the use of the DAF as a conduit for appreciated stock donations.**

You may of course want your donors to donate appreciated stocks directly to your nonprofit, but if you don't have the infrastructure to receive those assets then the donor-advised fund could be promoted as a "conduit." In this case, the appreciated securities are donated to the donor-advised fund, which liquidates the investments (tax-free at that point), and then subsequently makes a cash grant to your organization.

## **2. Promote the DAF as a way for gifts to be made anonymously.**

Some donors wish to give anonymously because they just don't want to be attached to the gift for donor recognition purposes, or they're concerned that a large public gift will lead them to being solicited by more organizations, or for general philosophical reasons. Yet making donations anonymously can be difficult to execute. With a donor-advised fund, the donor can make the donation to the fund and allow the sponsor of the fund, Vanguard or Fidelity or the like, to facilitate the gift to your nonprofit on an anonymous basis.

## **3. Promote the DAF as an "In Memoriam" Fund to honor a specific person.**

The donor can accomplish this by simply designating the source of funding in the name of the person to be honored – e.g., "The Jane H. Smith Memorial Fund" – and then requesting that when grants are made, the donor-advised fund acknowledge the source as such. Since a donor-advised fund can also collect donations from multiple givers, an "In Memoriam" fund could even be the recipient of "gifts in lieu of flowers" for someone who recently passed away.

## **4. Promote the DAF to teach charitable giving to children.**

A donor-advised fund may be used expressly to teach responsible giving habits to children. The decision about how much in grants to give and to which organizations would be made collectively by the family. When the donor's money is already in a donor-advised fund – so there's no chance it's going to go to anyone in the family as an inheritance – it becomes easier to have a constructive conversation about targeted charitable giving.

## **5. Promote the DAF as a legacy family giving vehicle.**

In addition to using a donor-advised fund to teach children about charitable giving while the philanthropist is alive, a DAF can also function as a legacy family giving vehicle after the person's death. Accordingly, a donor-advised fund might be the sole charitable beneficiary under the philanthropist's will. If your nonprofit reaches out to the donor sooner rather than later, it is more likely to be included in the family's legacy giving years from now.

## **6. Promote the DAF to evaluate your charity's fiscal responsibility over time.**

Are you surprised to hear me say that? Well, one of the real challenges for those making large charitable gifts is the concern that your charity may not use the donation responsibly. Donors making significant contributions often have an interest in spreading their contributions out over time, to affirm that the charity is continuing to use the funds appropriately and responsibly before the next gift is made. If your charity slips up, the donor has the flexibility through the donor-advised fund to redirect subsequent gifts to another charity. This means that, as a recipient, you must promote your organization as being fiscally responsible and therefore earning the donor's trust and increased giving.

So, given these six points, I suggest that you *consider hosting a gathering of your DAF donors as a donor education session* to facilitate a discussion with them about their DAF. You see, many donors have set up a DAF because their financial advisor told them to, but they know little about how their DAF can meet your funding needs. It's your job to educate them!

You can secure your share of the massive DAF pie if you follow these six steps.

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