DEMystifying DONOR-ADVISED FUNDS

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AGENDA

What Are DAFs?
Why Are They So Popular?
DAF History
DAFs in a Changing Charitable Landscape
DAF Rules for Donors and Not-for-Profits
Key Giving Opportunities Not to Be Missed
Q&A
WHAT IS A DONOR-ADVISED FUND?

A Donor-Advised Fund (DAF) is a giving vehicle established at a public charity. It allows donors to make a charitable contribution, receive an immediate tax deduction, and then recommend grants from the fund over time.

Source: www.nptrust.org/what-is-a-donor-advised-fund
Donors Contribute to a DAF Hosted by a Sponsor Organization

Assets Are Typically Invested and Grow

Grants Are Awarded from Sponsor Organization at Donors' Recommendations

Charities Benefit!
What is a sponsor organization?

What can DAFs support?
EARLY DAF HISTORY

1931
First DAF created in 1931 at New York Community Trust.

1986
Tax Reform Act of 1986 makes DAFs more attractive with greater restrictions on private foundations.

1991
Fidelity creates "The Gift Fund" as an independent public charity to host DAFs.

2006
The Pension Protection Act imposes new rules and regulations on DAFs.
WHY ARE DAFS SO POPULAR?
DAFs Are the Fastest Growing Area of Philanthropy Today!

In 2017, donors contributed $29.23 Billion to DAFs.

2017 DAF giving of $29.23 Billion marked a nearly 20% increase from 2016 and a compound increase of nearly 17% since 2012!

CONTRIBUTIONS TO DAFS EXPRESSED AS A % OF TOTAL INDIVIDUAL GIVING

DAFS TODAY

TOTAL #  ASSETS HELD  TOTAL $ GRANTED IN 2017

463,622  $110 Billion  $19 Billion

FACTORS IN DAF GROWTH

Strong Marketing from Commercial Providers

Considerable Advantages for Donors

Significant Changes to the Tax Law
THE RISE OF COMMERCIAL DAF SPONSORS
COMMERCIAL DAFS BY THE NUMBERS IN FY2018

FIDELITY CHARITABLE
Assets: $27 Billion
Contributions: $9 Billion
Grants: $4.8 Billion

SCHWAB CHARITABLE
Assets: Nearly $13 Billion
Contributions: $3.3 Billion
Grants: $2.2 Billion

VANGUARD CHARITABLE
Assets: Nearly $8.6 Billion
Contributions: Nearly $1.8 Billion
Grants: Nearly $1 Billion
Contributions: $3.919 Billion

Contributions: $2.718 Billion

Contributions: $2.318 Billion

2018 FORBES LIST OF 100 LARGEST CHARITIES
DAFS & COMMUNITY FOUNDATIONS

Contributions to Community Foundation DAFs totaled $6.76 Billion in 2017, a 13.1% increase from 2016.

Grants from Community Foundation DAFs totaled $5.78 Billion in 2017, an increase of 18.6% from 2016.

FLEXIBLE
Give donors the ability to be as involved or as hands-off as they wish.

TAX-EFFICIENT
Allow donors to front-load their giving to maximize their tax benefits and enjoy higher tax-deductibility with typically lower administrative costs than through private foundations.

TRULY PRIVATE
Donors can enjoy as much or as little anonymity as they choose.
Dafs in a Changing Landscape
IMPACT OF THE TAX CUTS AND JOBS ACT OF 2017

LARGEST TAX REFORM IN 30+ YEARS

REDUCED CORPORATE TAXES AND SIGNIFICANTLY OVERHAULED INCOME TAX BRACKETS AND DEDUCTION THRESHOLDS FOR INDIVIDUALS

INCREASED THE FEDERAL ESTATE TAX EXCLUSION:
$11.4M/PERSON (2019 LIMIT)
$22.8M/COUPLE (2019 LIMIT)
How have donors responded to these changes?
FEWER PEOPLE ARE ITEMIZING

INDIVIDUAL GIVING AND BEQUESTS HAVE DECREASED

LESS INCENTIVES FOR PLANNED GIFTS

USE OF DAFS AND GIVING FROM FOUNDATIONS IS UP

GIFT BUNDLING HAS BECOME POPULAR

IRA GIFTS FROM QCDS ARE ON THE RISE
Donors on the bubble between itemizing and taking the standard deduction may choose to give extra to charity in a given year to get over the hump and itemize.

Can be a great strategy to use with a DAF, as donors can "front-load" their giving by contributing to a DAF in years that it makes sense, and then give annually from the DAF to charities until it make sense to replenish the fund.
QCDs: The Low-Hanging Fruit Not to Be Missed!

WHO'S ELIGIBLE?
Donors 70 1/2 and older with qualified IRAs who don't need all or a portion of their Required Minimum Distributions (RMDs).

HOW IT WORKS
Donors make gifts to qualified charities directly from their IRAs that count toward their RMDs without the distributions being recognized as income.

BENEFITS
Lowers donors' adjusted gross income and count as a tax-free gift to the charities!

RESTRICTIONS
Annual maximum allowed is $100K/person; $200K/couple; Cannot grant to DAFs or most private foundations.
What can charities do?
BE PROACTIVE!

- Talk to your donors about their intentions
- Educate them about their options
- Encourage DAF giving
- Don't ignore low-hanging fruit!
ASK . . .

Has the tax law changed your giving strategy?

Are you still itemizing?

Are you using a DAF or private foundation?

Do you need all of your RMD?

Would you consider a gift from your will or trust?

EDUCATE ABOUT . . .

Gift bundling, DAFs, and multi-year pledges.

Gifting appreciated assets.

Options to maximize their benefits.

Qualified Charitable Distributions from IRAs.

How to name your organization.
UNDERSTANDING

DAF RULES

REMINDERS FOR DONORS AND CHARITIES
**NO GOODS AND SERVICES**

Donors can't use grants from DAFs to pay for event tickets or auction items and may not receive any material personal benefits.

**NO TAX RECEIPTS FOR GRANTS**

Gifts to DAFs are receipted by the sponsor organization; DAF grants are not tax-deductible.

**DO SEND THANK-YOU'S!**

If you have a relationship with the donor-advisors, let them know your appreciation. If you don't, coordinate with the sponsor organization to send a note of thanks.

**DISCUSS PLEDGE INTENTIONS**

DAFs cannot fulfill personal pledges; coordinate any desired pledge with the donor and sponsor organization.
CLOSING THOUGHTS
DAFs are just one of many tools.

Few gifts are primarily tax-driven; but tax consequences can affect timing.

It's about the donor!

Stewardship and demonstrating impact are paramount!
WHERE TO GO FOR HELP

○ Contact the DAF sponsor organization.

○ Work with your donors' professional advisors.

○ Contact your local community foundation.

○ Visit philanthropy.com/dafs

○ Visit irs.gov
"No act of kindness, no matter how small, is ever wasted."

-AESOP
GET IN TOUCH

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