

What you need to know about Donor-Advised Funds in 2020

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market  smart

 The Curtis Group

Donor-Advised Funds are GROWING

- 1st DAF was created in 1931;
- **\$37.12 billion** contributed to DAFs in 2018:
 - More than **12%** of individual giving;
 - **86%** increase in contributions over the past 5 years;
- **\$23.42 billion** granted out of DAFs in 2018.

*Source: National Philanthropic Trust (<https://www.nptrust.org/reports/daf-report/>)



We're going to talk about it



Keith Curtis

President, The Curtis Group

As President of **The Curtis Group**, founded 29 years ago, Keith and his team have developed strategies to raise hundreds of millions of dollars for nearly 200 clients across all nonprofit sectors. Keith is the past chair of Giving USA Foundation and past chair of the Giving USA Advisory Council on Methodology and has spoken on the report in many national publications and broadcasts. For over 60 years, Giving USA has been the nation's most respected and comprehensive report on charitable giving.



Jeff Giannotto

Senior Solutions Advisor, MarketSmart

MarketSmart is a software and marketing services firm based in Maryland, with a focus on planned, mid-level, and major giving. Over the past 6 years, in his role as a Senior Solutions Advisor at MarketSmart, Jeff has had the chance to work with and advise hundreds of nonprofits of all sizes on MarketSmart's qualification, cultivation and prioritization strategies.

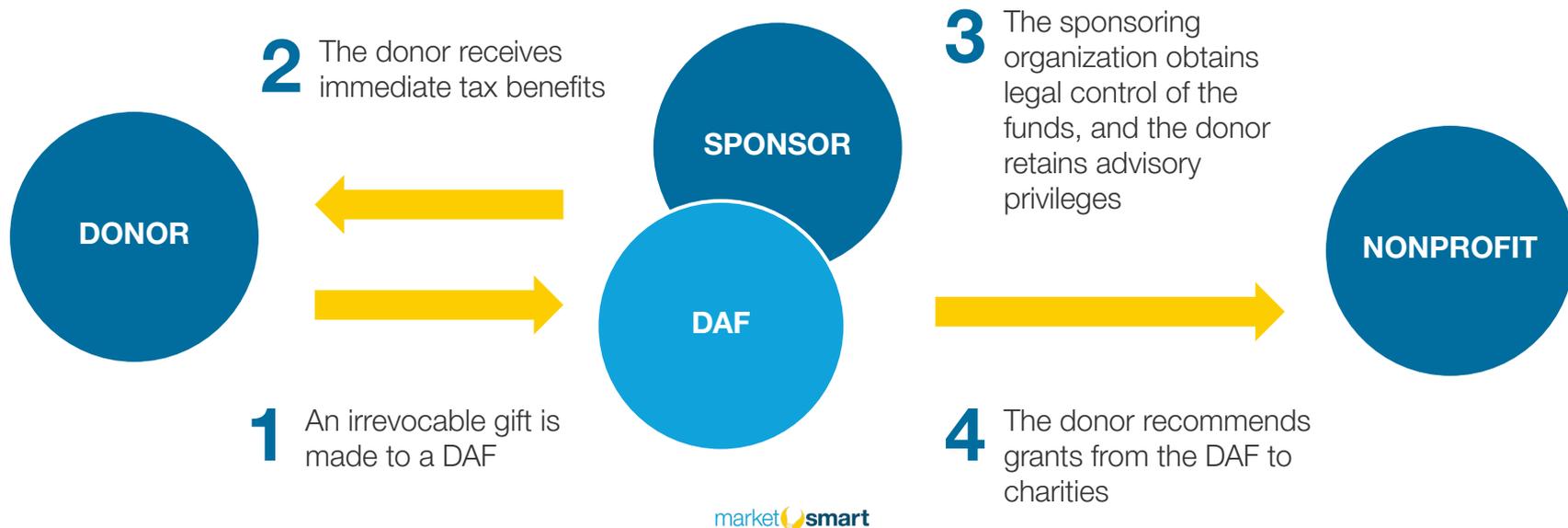


What we'll cover:

1. **What is a DAF** and what **benefits does it provide to a donor**
2. **Concerns** about DAFs
3. **Why individuals give to a DAF** versus directly to a charity
4. **Who uses a DAF**
5. How to **proactively market gifts from DAFs**
6. **Metrics** from other organizations marketing DAFs
7. How to **acknowledge and record a gift** from a DAF
8. Ideas you should implement now to **engage your supporters** about DAFs



What is a Donor-Advised Fund?



What is a Donor-Advised Fund?

- A donor-advised fund is a giving vehicle (i.e. another entity for individuals to move money into to facilitate their philanthropy).
- The account must be created at and sponsored by a 501(c)(3) organization.



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What is a Donor-Advised Fund?

- All contributions to DAFs are **irrevocable** and the donor **immediately receives the maximum tax deduction** that the IRS allows.
- Once you make a contribution to your DAF the sponsoring organization has legal control over the funds. As the donor, however, you retain **advisory privilege** for how to invest the contributions and direct grants out of the account to other charities.
- Donors that give to DAFs have strong philanthropic intent, but there are two primary reasons they give to DAFs:
 1. **Avoid taxes** that would decrease the amount of funds a charity receives.
 2. **Uncertainty about where to give their funds**, but a desire to claim the tax benefit and grow their assets tax-free.



Concerns about DAFs

- Donor advised funds are a way for the wealthy to warehouse money and not have to give it away right away, yet they get an immediate tax deduction.
- No payout requirement for individual funds.
- Other concerns people have:
 - Donors are anonymous – which they rarely are.
 - Nonprofits can't apply for grants because donors with DAFs are not public like foundations.
 - You're not able to make multi-year pledges – which you can now do.
 - Can't receive benefits. Can't use DAF for events.



Using a DAF vs. giving directly to charity

Grow Your Charitable Dollars

- They **money in a DAF can be invested before it is granted**. And, with market growth, a DAFs balance can grow.
- **Donors are not taxed on any growth in a DAF**, because the assets belong to the DAF's sponsor.



Using a DAF vs. giving directly to charity

Reduce Tax Burden in a Windfall Year

- DAFs provide donors an opportunity to **maximize charitable deductions** during years when they may experience unforeseen financial gains.
- Donors can take an **immediate tax deduction** when they make a contribution to their DAF.



Using a DAF vs. giving directly to charity

Contribute Appreciated Assets to DAF to Reduce Capital Gains.

- Appreciated assets are a common way to fund a DAF.
- Assets held for more than one year can be donated at their fair market value, and are **not subject to capital gains tax.**
- Donors receive an **immediate tax deduction of up to 30% of adjusted gross income (AGI)** when funding a DAF with appreciated assets.

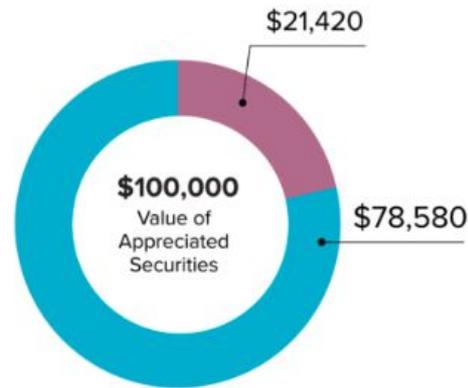


Using a DAF vs. giving directly to charity

In the following hypothetical example, a donor has **\$100,000 in long-term appreciated stock**, and its original cost-basis purchase price was \$10,000.

DONOR SELLS SECURITIES AND DONATES AFTER-TAX PROCEEDS TO CHARITY

Pays Capital Gains Tax: \$21,420
Net Available to Charity: \$78,580



DONOR CONTRIBUTES APPRECIATED SECURITIES DIRECTLY TO CHARITY

Capital Gains Tax: \$0
Net Available to Charity: \$100,000



*Source: National Philanthropic Trust (<https://www.nptrust.org/what-is-a-donor-advised-fund/daf-tax-consideration/>)



Types of Donor-Advised Funds

1) Community Foundations

Community foundation sponsored DAF accounts allow donors to help people and places within a certain geographic area.

- NPT analyzed **603** community foundations with **77,234 donor-advised fund accounts** and assets totaling **\$33.87 billion**.



*Source: National Philanthropic Trust (<https://www.nptrust.org/reports/daf-report/>)



Types of Donor-Advised Funds

2) Single-issue charities

Single-issue charities work in a specific topic area (higher ed, healthcare, faith-based, etc.).

- NPT analyzed data from **332** single-issue charity sponsors, with **57,973 donor-advised fund accounts** and assets totaling **\$15.19 billion**.



*Source: National Philanthropic Trust (<https://www.nptrust.org/reports/daf-report/>)



Types of Donor-Advised Funds

3) National charities

There are two subsets of national charities: **Commercial gift funds** and **Independent non-commercial** organizations.

- The Fidelity Charitable Gift Fund and the Schwab Charitable Fund are examples of commercial gift funds.
- The American Endowment Foundation and National Philanthropic Trust serve as examples of independent non-commercial organizations.
- NPT analyzed donor-advised fund data from **54** charities of this type. Combined, national charities accounted for **593,356 donor-advised fund accounts** with total charitable assets of **\$72.35 billion**.



*Source: National Philanthropic Trust (<https://www.nptrust.org/reports/daf-report/>)



Who uses a Donor-Advised Fund?

- Unlike other forms of data that many companies sell, there is no “clearinghouse” for donors with donor-advised funds. **Because of the way that DAFs are opened, there is no public repository of individuals who have DAF accounts.**
- DAFs are frequently **associated with wealthier individuals**, but many donors of modest means utilize DAFs as well.
- Fidelity requires a **minimum contribution** of \$5,000 to open the Donor-Advised Fund account. Other sponsoring organizations have different thresholds (some higher, although \$5,000 is typical).
- At MarketSmart we’ve figured out one tried and true way to learn which of your donors has a donor-advised fund. **You have to ask them.** Surveying your donors and including a question about DAFs is not only entirely acceptable, it’s recommended.



Donor-Advised Fund grant distribution trends

Giving USA data shows us that most DAF grants go to **Education, Public-society benefit** charities and **Religion.**

Table 1 Subsector grant distribution from major donor-advised fund sponsors, Fiscal year (FY) and calendar year 2018

Subsector	Fidelity Charitable (2018 calendar year)	Vanguard Charitable (2018 FY)	NPT (2018 FY)	Jewish Communal Fund (2018 FY)
Education	29%	19%	29%	21%
Religion	15%	20%	9%	9%
Human services	11%	27%	14%	16%
Health	8%	12%	10%	8%
International affairs	5%	N/A	15%	17%
Public-society benefit	18%	6%	19%	5%
Arts and culture	7%	7%	6%	10%
Environment and animals	5%	7%	2%	3%
Other subsectors	1%	1%	6%	11%

Note: Fidelity Charitable's data is based on the calendar year, while the data for all other organizations is on based on fiscal year. Note that sponsors may classify group organizations into charitable subsectors using a different methodology than *Giving USA*, and thus cannot be directly compared to *Giving USA* results.

*Source: Giving USA



Building a marketing plan

It's not an 'if you build it they will come' situation.

- A widget or brochure on your website will not result in an increase in DAF grants you receive
- You need to develop a true marketing plan for DAFs that incorporates lead generation, cultivation and stewardship.
- You need to relevantly engage supporters at all levels of consideration for DAFs (i.e. from “What’s a DAF?” to “How do I take action?”)



How to proactively market DAFs



During your lifetime, you can recommend a grant from your Donor-Advised Fund to impact lives through Spectrum Health Foundation, including Helen DeVos Children's Hospital Foundation.

If you would like to make a gift now through your DAF, simply click the link below to find your fund:

[Give now from your Donor-Advised Fund](#)



How to proactively market DAFs

×

Give from your donor-advised fund:

GO »

By using this search tool, you agree to the [Terms of Service and Privacy Policy](#).

[Don't see your fund? Let us know.](#)

How to proactively market DAFs

Six ways you can make an impact with your DAF:

-  Memorialize, honor or commemorate a loved one or an event.
-  Avoid capital gains by first transferring appreciated stock to your DAF and then gifting it in minutes.
-  Teach your loved ones about charity and why you believe in giving back.
-  Build a sense of community (and make a bigger impact) by forming “giving circles” with other donor-advised fund owners including friends and family members.
-  Bundle your charitable gifts (doing so could result in an opportunity to itemize your deductions in the same year).
-  Leave all, or a portion of, your account to charity simply by changing your beneficiary designation.

I invite you to [contact me](#) so we can discuss ways to use your donor-advised fund to make your legacy impact a reality.



How to proactively market DAFs

CREATE YOUR LEGACY OF PHILANTHROPY

The final distribution of contributions remaining in your DAF after your lifetime can be designated when you create or update your fund.

If you decide to change your beneficiary designation, would you [let us know](#)? We would like to recognize you for your generosity and ensure that your gift is used as you intend.

Please don't hesitate to get in touch if you have any questions about setting up your legacy gift or if you need more information.

We invite you to [contact us](#) so we can chat about easy ways to make an impact using your donor-advised fund.

SHARE YOUR LEGACY



How to proactively market DAFs

An easy way to support is through a Donor Advised Fund or Family Trust/Foundation. Are these gifts you would consider?

- Yes
- No
- I'd like to learn more about giving in this way

Do you have a Donor Advised Fund or Family Foundation?

- Yes
- No



How to proactively market DAFs

	I give this way now	Likely	Somewhat Likely	Not likely
Donations via credit card	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Donations via bank draft	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mailing a check	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Donations from a donor-advised fund or family foundation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Giving appreciated assets (such as stocks, bonds, savings accounts, CDs, securities, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Giving property (such as real estate)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transferring a portion of an IRA account as a Charitable IRA Rollover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Funding a charitable gift annuity and receiving fixed income for life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Talking with a gift officer face-to-face or by telephone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Metrics from other orgs marketing DAFs

DAF widget

- 886 Donor-Advised Funds are listed in the DAF widget.
- Most requested commercial and independent non-commercial DAFs: Fidelity Charitable, Schwab Charitable Fund, Vanguard Charitable Endowment Program and National Philanthropic Trust.



Metrics from other orgs marketing DAFs

- MarketSmart asks questions in client surveys regarding supporters' level of interest in giving through a DAF and making a legacy gift.
- When we cross analyze DAF consideration and legacy gift consideration, we find the following -
 - **Legacy gift disclosed:** 10.2% of those that showed interest in giving through a DAF disclosed that they already left the charity in their estate plans.
 - **Active interest:** 10.6% of those that showed interest in giving through a DAF responded showing active interest in making a legacy gift.
 - **Deferred interest:** 49% of those that showed interest in giving through a DAF responded showing deferred interest in making a legacy gift.



Acknowledging and recording a gift from a DAF

Here is the “checklist” you can run through when you receive a gift from a donor-advised fund:

- If there’s a letter, look for the advisor’s name and address (this is the individual who directed the grant to come to you).
- If there is no letter, call the sponsor organization and see if they are able to disclose to you who directed the grant to you.
- Enter the contribution in your database under the individual’s name, not the sponsoring organization. Remember, the donor directed the grant to your organization and the sponsoring organization facilitated it. With that in mind, would it make sense to say Fidelity Charitable Fund donated \$1,000 to you, or Jane Doe donated \$1,000 to you?
- Acknowledge the individual donor as you would if they had made a similar cash donation. Note that you do not need to send a tax receipt to the donor or the sponsoring organization. Instead, focus on executing your normal “post-donation” acknowledgement process for the individual donor.



Easy ideas to implement now

- As a baseline, make sure you have the following in place:
 - Designate a specific person on your team and phone number for donors to call if they have questions about DAFs (and make sure that person is knowledgeable about DAFs!);
 - Create/find a 1-page fact sheet or checklist on DAFs to supply interested donors;
- Train gift officers to ask donors about using DAFs to make gift (true of other asset based gifts as well).
- Send emails and/or postcards 2-4 times per year to promote DAFs and remind donors.
- Ads about DAFs in magazine or newsletter.
- Make sure DAF option is clearly highlighted on ways to give page online (on main website).
- Add stories about DAF givers in donor communications and newsletters. Add DAF question to newsletter, survey, reply devices, conversations.
- Engage your direct marketing/annual giving colleagues to integrate DAF solicitations in their annual plans, rather than hidden away in planned giving marketing.





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