

A black and white photograph of a hand holding a glowing, ethereal orb of smoke or light. The orb is composed of many fine, wispy strands that swirl together, creating a sense of movement and energy. The hand is positioned at the bottom left, with fingers slightly curled around the base of the orb. The background is dark, making the glowing orb stand out prominently.

# DEMYSTIFYING DONOR-ADVISED FUNDS

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NONPROFIT PARTNERS CONFERENCE  
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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](http://www.nptrust.org/what-is-a-donor-advised-fund)



# HOW DAFS WORK



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.

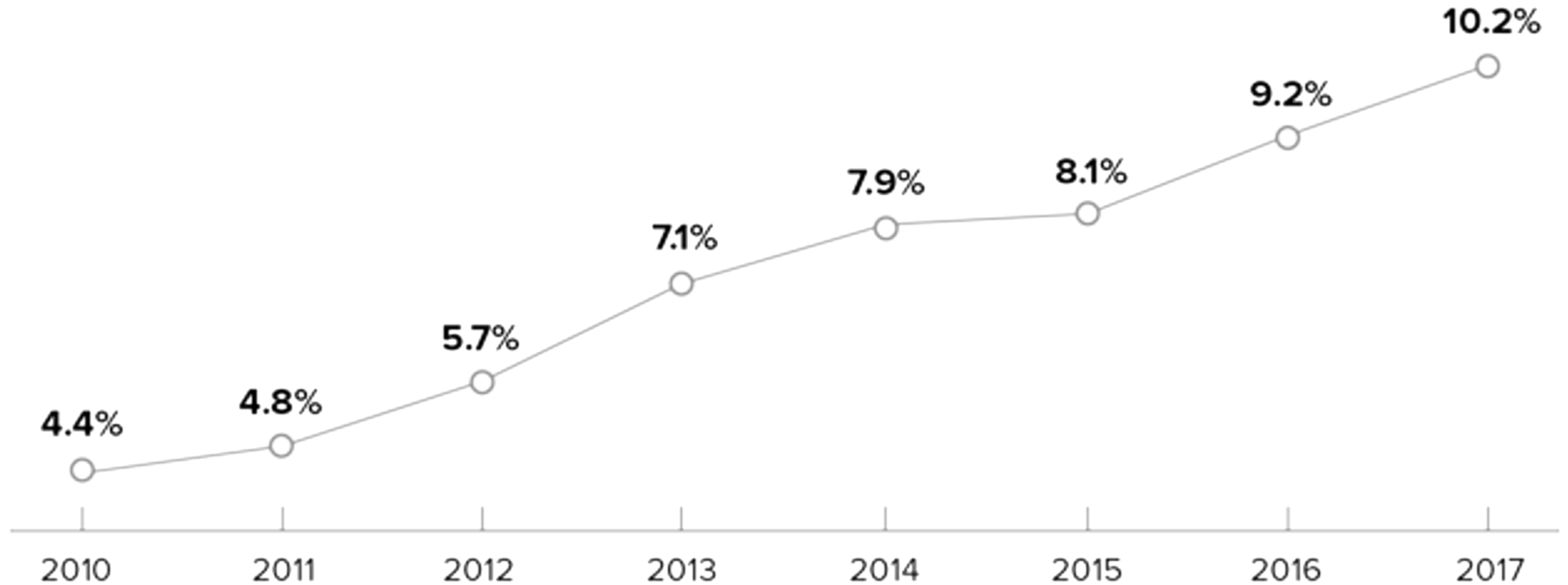
Source: National Philanthropic Trust. (2019). *The 2018 DAF Report*. Available at: [www.nptrust.org/reports/daf-report](http://www.nptrust.org/reports/daf-report)



# FACT

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



Source: National Philanthropic Trust. (2019). *The 2018 DAF Report*. Available at: [www.nptrust.org/reports/daf-report](http://www.nptrust.org/reports/daf-report)

# DAFS TODAY

TOTAL #	ASSETS HELD	TOTAL \$ GRANTED IN 2017
<b>463,622</b>	<b>\$110 Billion</b>	<b>\$19 Billion</b>

Source: National Philanthropic Trust. (2019). *The 2018 DAF Report*. Available at: [www.nptrust.org/reports/daf-report](http://www.nptrust.org/reports/daf-report)



# 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.

# **DAF ADVANTAGES**



# DAFS IN A CHANGING LANDSCAPE

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**TAX CUT** →

# IMPACT OF THE TAX CUTS AND JOBS ACT OF 2017

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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.

# WHAT IS GIFT BUNDLING?



# 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**

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# 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 RECIPTS 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!

A black and white photograph of a chalkboard. The words "DON'T" and "FORGET" are written in large, white, hand-drawn capital letters on a dark background. The chalkboard is mounted on a wall with a wooden ledge above and below it. The wood has a natural grain pattern.

DON'T  
FORGET

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# 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](https://philanthropy.com/dafs)
- Visit [irs.gov](https://irs.gov)



**QUESTIONS?**

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"No act of kindness,  
no matter how small,  
is ever wasted."

-AESOP

# GET IN TOUCH

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