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Attracting Gifts from Donor Advised Funds



Date: April 27, 2017
Time: 1:00 – 2:30 Eastern Time
Presenter: Alan Cantor
Principal
Alan Cantor Consulting LLC




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Today's Outline

- Growth of DAFs
- History: How we got here
- What's driving the growth?
- Interests/incentives of DAF sponsors and donors
- Challenges involved in getting DAF gifts
- How to position your organization to attract DAF gifts
- Q and A

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Not-Such-A-Spoiler Alert

There's no silver bullet.

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Extraordinary Growth of DAFs: 2016 Philanthropy 400




1. Fidelity Charitable
2. United Way Worldwide
3. Feeding America
4. Schwab Charitable
5. Catholic Charities USA
6. Salvation Army
7. Task Force For Global Health
8. Stanford University
9. National Christian Foundation
10. Silicon Valley Community Foundation
11. Vanguard Charitable

Source: *Chronicle of Philanthropy*

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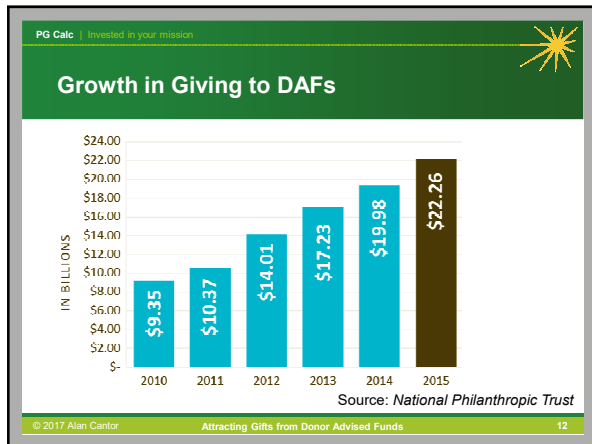
Extraordinary Growth of DAFs: 2016 Philanthropy 400

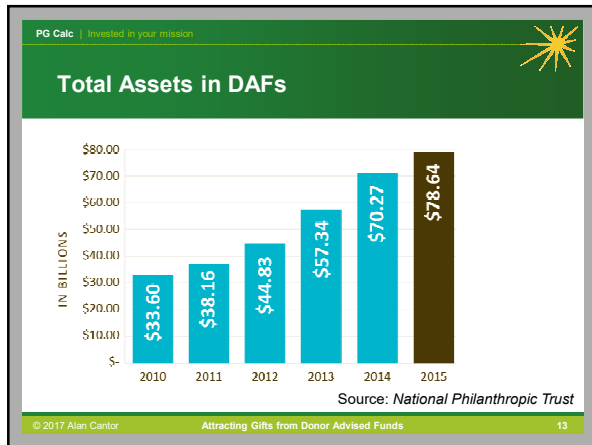


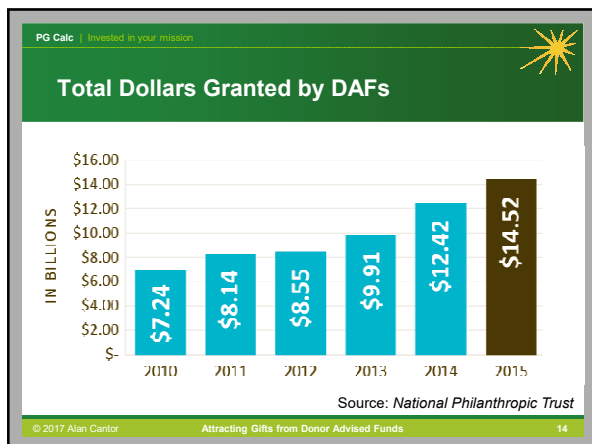
1. **Fidelity Charitable \$4.6 billion (up 20%)**
2. **United Way Worldwide \$3.7 billion (down 4%)**
3. Feeding America
4. Schwab Charitable
5. Catholic Charities USA
6. Salvation Army
7. Task Force For Global Health
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Are DAFs Adding to the Philanthropic Pie?

No evidence of that.

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Individual Giving as a Percentage of Disposable Personal Income, 1974-2014 (In Current Dollars)

Source: Giving USA™

Year	Percentage
1974	2.0%
1979	2.0%
1984	2.0%
1989	2.0%
1994	1.8%
1999	2.3%
2004	2.2%
2009	1.8%
2014	2.0%


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Are DAFs Granting Out at High Rates?


- Depends on your methodology
 - Fidelity claims 26%
 - National Philanthropic Trust: 20%
 - Analysis by *Chronicle of Philanthropy*: 14%
- No fund-by-fund information


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Averages Are Deceiving


 Each has a \$100,000 donor-advised fund

 Gives away \$100,000 in the year

 Gives away nothing in the year

On average, 20% distribution


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All of That Said...

Donor-advised funds are an enormously important source of charitable capital!


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Three Turning Points in the History of Donor-Advised Funds


1. 1931: Creation of "family funds" at New York Community Trust

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Three Turning Points in the History of Donor-Advised Funds

1. 1931: Creation of "family funds" at New York Community Trust
2. 1969: IRS grants public charity tax status to DAFs

Norman Sugarman 

Source: Lila Corwin Berman, Temple University


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Private Foundation Rules Don't Apply to DAFs

- Full public charity tax benefits
 - Particularly important for gifts of illiquid assets
- No annual 5% distribution requirement
 - No required distributions... ever
- No disclosure of grants


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Three Turning Points in the History of Donor-Advised Funds

1. 1931: Creation of "family funds" at New York Community Trust
2. 1969: IRS grants public charity tax status to DAFs
3. 1991: IRS grants public charity tax status to Fidelity Charitable 


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What's Driving the Growth?

1. Benefits for the donors
2. Fees and profits!

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Types of DAF Sponsors:

- Community foundations
- Religious federations
- "Single-issue sponsor" – such as a university
- Commercial gift funds (Fidelity et al.)


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Which DAF Sponsors are Worthy of Your Attention?

- **Community foundations**
- Religious federations
- "Single-issue sponsor" – such as a university
- Commercial gift funds (Fidelity et al.)

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Once the Money is in the DAF...

DAF Sponsor Interests

- Keep the money invested
 - For commercial DAF sponsors and financial advisors, perpetual DAFs pay fees... perpetually
 - For community foundations, DAF fees underwrite operating expenses
- Sponsors promote multi-generational DAFs and “tax-free growth”

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Once the Money is in the DAF...

Donor Interests

- Donors are susceptible to the marketing about leaving their heirs “a family philanthropy”
- Some donors big on pass-through; most aren’t
- Tax considerations after funding DAF are irrelevant

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Once the Money is in the DAF...

Donor Interests

- Otherwise, usual donor concerns: proper credit, appropriate appreciation


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Sticky Wicket #1: Pledges

- Donors cannot fulfill personal pledges with a grant from a DAF!
- Nonprofits should create a “not-a-pledge form”
 - “It is my intention to make a recommendation to the XYZ Fund of the East Scuttlebutt Community Foundation...”
- A very real challenge for capital campaigns
 - Not enforceable; no good for collateral


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Sticky Wicket #2: Private Benefit

- Donors cannot receive “premiums” for gifts made with a DAF
- Donors cannot buy gala tickets with grants from a DAF
 - Even when part of a larger sponsorship
- A donor-relations headache, for sure

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How to Position Your Organization to Receive DAF Grants


1. The pledge problem notwithstanding...

A DAF grant is essentially (if not legally) a gift from an individual, not a grant from a foundation

Provide stewardship to the individual!

But: No tax language in your thank-you note!

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How to Position Your Organization to Receive DAF Grants

2. Recognize that a gift from a DAF is an indication of capacity

Average DAF size: \$235,000+!

Attend to these donors!

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How to Position Your Organization to Receive DAF Grants

3. Highlight DAF donors in your materials – especially for large gifts!

(Take a page from planned giving stories.)

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How to Position Your Organization to Receive DAF Grants

4. Get to know your community foundation gatekeepers... but keep your expectations modest.

They won't give you a list of their DAF donors!!


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How to Position Your Organization to Receive DAF Grants

5. Gently remind your donors that the DAFs are theirs to spend down – not to be hoarded


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How to Position Your Organization to Receive DAF Grants

6. Remind yourself that a charitable deduction no longer influences the donor's decisions

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How to Position Your Organization to Receive DAF Grants

7. Consider a DAF-specific campaign for past DAF donors

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How to Position Your Organization to Receive DAF Grants

8. Make it easy for DAF donors: one click!

 www.dafdirect.org
Directly connecting donors to charitable causes


 www.dafwidget.org

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How to Position Your Organization to Receive DAF Grants


9. Pay attention to – and weigh in on – legislative and regulatory efforts to reform donor-advised funds



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Questions and Answers



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Still Have a Question?

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