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## What Gift Planners Need to Know about Donor Advised Funds



Date: October 30, 2014  
Time: 1:00 – 2:30 Eastern Time  
Presenter: Bill Zook  
Vice President  
PG Calc



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## Agenda

- Donor advised fund (DAF) basics
- Popularity of DAFs
- Establishing/maintaining a DAF
- DAFs & planned giving
- Future of DAFs

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## Working Definition of a DAF

- Account maintained by public charity (sponsor)
- Holds gifts donor has designated for account
- Donor has advisory rights re account

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## DAF Characteristics

- *Not* a separately existing legal entity
- Advice = recommend distributions (and investments) within limits
- Advisory rights can be shared with other persons donor chooses
- Advice not binding on sponsor, but . . .

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## DAF Characteristics (cont.)

- Advice often provided online
- Flexibility in picking name
- Most DAFs eventually terminate

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## More about Donors/Advisors

- Not all donors are advisors, not all advisors are donors
- Multiple donors are possible
- Multiple advisors are possible



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## More about Sponsors

- Traditional community foundations
- Charities that support other charities but apply a "mission filter"
- Charities related to financial services providers
- Miscellaneous charities perhaps willing to support other charities

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## Statutory Definition of a DAF

- Didn't exist until 2006
- Separate account related to certain gifts from certain donor/donors
- Owned/controlled by sponsor
- Donors (or designees) have/reasonably expect to have advisory rights over distributions or investments by reason of a donor's status as a donor

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## DAF Statistics

- Sources of information (individual vs. aggregated)
- Over 200,000 DAFs holding over \$45 billion
- Over 13,000 new DAFs in 2012
- In 2012, \$13.71 billion contributed and \$8.62 billion distributed

FIGURE 2: Total Assets in Donor-Advised Funds

Year	Total Assets (in billions)
2007	1.97
2008	0.80
2009	2.13
2010	3.45
2011	6.31
2012	45.35

Source: National Philanthropic Trust

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## Why Donors Like DAFs

**Attractive alternative to a private foundation:**

- Acceptable option along control continuum
- Easier, cheaper, quicker
- Better tax aspects (size/use of deduction, no separate taxes)
- Offers anonymity



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## Why Donors Like DAFs (cont.)

- Can perpetuate legacy, involve future generations
- Simplifies charitable giving
- Give now, grant later



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## Why Sponsors Like DAFs

**Help fulfill their missions:**

- Facilitates philanthropy
- Generates fee revenue

**Help them “compete:”**

- Mostly vis-à-vis other DAF sponsors
- Fosters direct, as well as indirect, access to DAF \$

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## Establishing/Maintaining a DAF

**IRS requirements:**

- Don't make "taxable distributions"
- Avoid providing "prohibited benefits" (especially re pledges & bifurcated arrangements)
- Avoid excess business holdings & excess benefit transactions
- Comply with initial & ongoing filing requirements

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## Establishing/Maintaining a DAF (cont.)

**Matters of policy:**

- Acceptable assets
- Minimum \$ to establish
- Minimum \$ for additional contributions
- Minimum \$ to avoid termination
- Fees & how they'll be charged

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## Establishing/Maintaining a DAF (cont.)

**Matters of policy (cont.):**

- Minimum \$ of a distribution
- Requirements a distribution recipient must meet
- When/how recommendations made & acted upon
- Circumstances under which DAF will terminate
- Documentation to be executed

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## Establishing/Maintaining a DAF (cont.)

**Matters of policy (cont.):**

- Can/must DAF function as an endowment?
- Can advisors be persons other than donor?  
If so, who & how are they to be appointed?
- How do multiple advisors provide recommendations?



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## DAFs & Planned Giving

- A DAF is not a type of planned gift!
- Most DAF gifts outright, but:
  - Some such gifts entail lots of planning
  - While any type of planned gift can fund a DAF, deferred gifts may be inappropriate
- Designation: **to** sponsor, **for** DAF; possibly use "side agreement"
- Gift annuities present special issues

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## Institutional Gift Planner's Role

**If charity sponsors DAFs, promote this!**

- Know policies – and rationales for them
- Get to know DAF administration colleagues
  - Nurture good working relationships
  - Be sure they know what to do

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## Institutional Gift Planner's Role

**If charity doesn't sponsor DAFs:**

- Be sure colleagues who receive DAF distributions know what to do
- Try to learn identities of donors behind DAFs & recognize them appropriately
- If identities known, learn & track as much as possible about donors
- In short, be DAF-friendly & proactive

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## Whither DAFs?

- Dollar volumes attract attention
- "Give now, grant later" a concern
- Deferred charitable impact nothing new
- Extreme examples vs. general experience
- Next round of legislation: distribution deadlines? DAF term limits?

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## What Do Gift Planners Need to Know about DAFs?

**Not another arrow in the quiver, but rather:**

- A basis for getting to know donors better
- A basis for reaching out to donors more effectively
- A potential source of beneficiary designation gifts



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## DAF Quiz!

- DAF to DAF?
- DAF to endowed fund?
- DAF to private foundation?
- Private foundation to DAF?
- DAF to supporting organization?
- DAF to CGA?



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## Questions and Answers

- To ask a question:
  - Press **7#** on your telephone keypad or send a chat message.
- To remove yourself from the queue at anytime:
  - Press **7#** again on your telephone keypad.



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## Still Have a Question?

**Contact:** Bill Zook  
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**E-mail:** [bzook@pgcalc.com](mailto:bzook@pgcalc.com)

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