

Gift Planning with Donor Advised Funds

Philanthropies Gift Planning Council Conference

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Philanthropy is Changing in America



FIDELITY
CharitableSM

&
INDA
GATES
Foundation

Growth in Donor-Advised Funds in 2021

- Assets increase by

39.5%

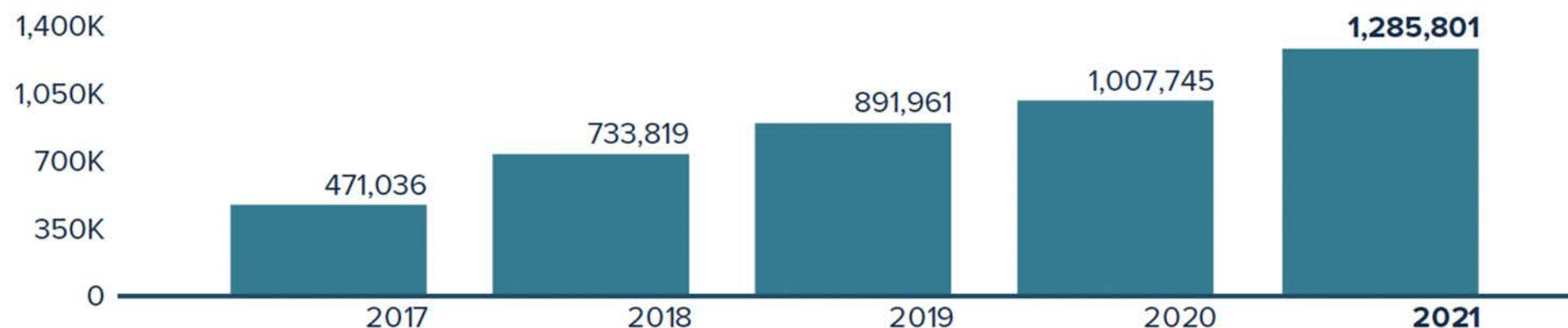
- Number of Accounts increase

28%

Growth in DAF Assets



Growth in DAF Accounts



Source: National Philanthropic Trust, *2022 Donor-Advised Fund Report*

Agenda

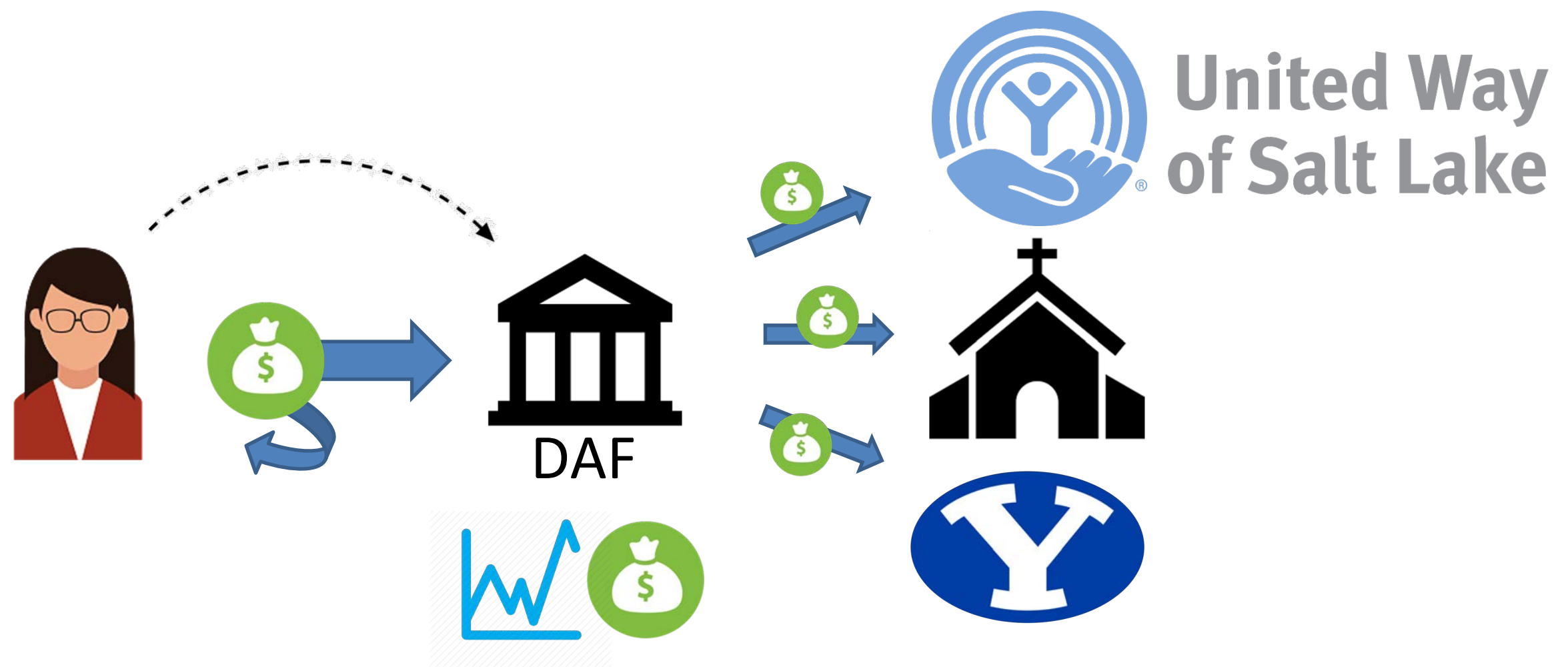
1. *How* DAFs Work and *Why* People Use Them
2. Key Themes from the Latest Research
3. Donor Profiles
4. Philanthropic Planning and DAFs

Agenda

- 1. *How DAFs Work and Why People Use Them***
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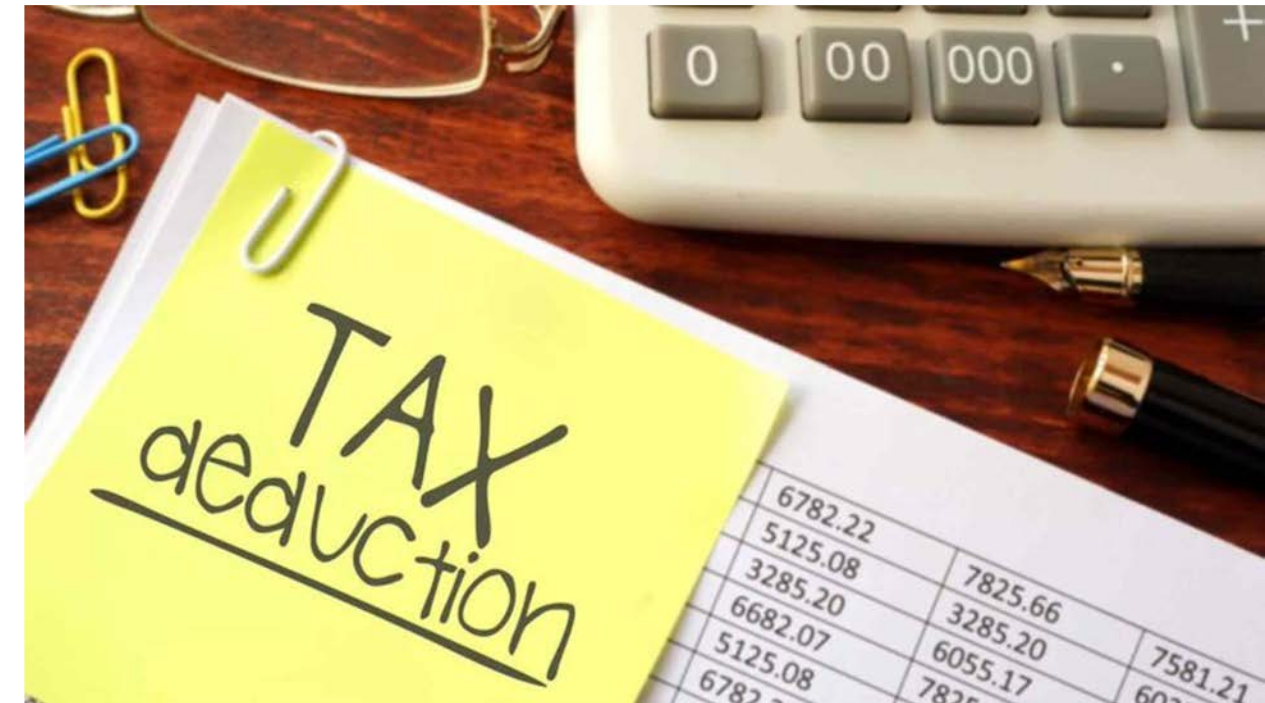
How Do DAFs Work?

1. Donor makes a contribution to the DAF, which is immediately tax-deductible
2. DAF sponsor invests & manages assets for donor
3. Donor “advises” the sponsor to make grants to charities



Why use a DAF?

1. Immediate tax deduction
2. Time for grant-making
3. Low cost
4. Ease of use
5. Receipt of non-cash assets
6. Potential anonymity
7. Simplifies record keeping
8. Involve family
9. Philanthropic Advising



DAF Dashboard

[← Back to Giving Account summary](#)

Dan and Katie Heist Family F... | Giving Account

1 > Enter grant details

2 > Allocate funds

3 > Confirm & submit

Add grants to your list

[? Help](#)

Enter grant details and then add to your grants list to start recommending grants to one or more of your favorite charities.

[Find a charity +](#)

[Search](#)

Viewing: Last 2 years [v](#)

Charity details

Amount:

Use: Where it's needed ... [v](#)

Acknowledgement: Name and address... [v](#)

[Edit](#)

Grant history

Timing: ASAP [v](#)

[Add to list](#)

Grant list

Available to grant

Grants added: (0)

Add grants from your charity list on the left

Total to grant

[Next step >](#)

Different Kinds of DAF Sponsoring Organizations

**National
(Commercial)
Sponsors**



**Community
Foundations**



**Religiously
Affiliated
Organizations**

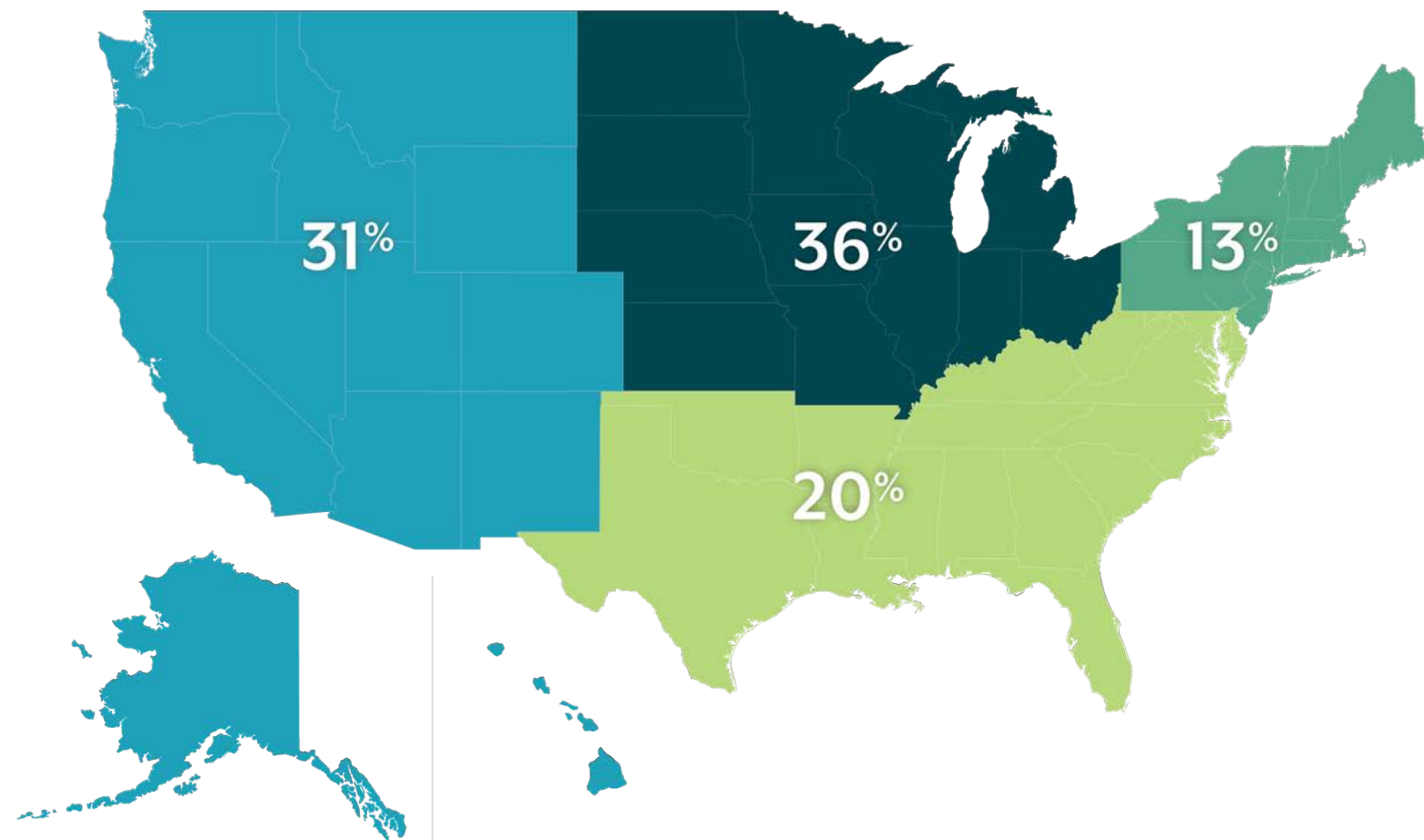


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1. *How DAFs Work and Why People Use Them*
2. **Key Themes from the Latest Research**
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Overview of DAFRC Sample

21 DAF Sponsors – Community foundations and religiously-affiliated orgs



	DAFRC Data	% of all CF and single-issue DAFs*
Accounts	12,998	9.2%
Donor Advisors	21,840	N/A
Assets (\$ Millions)	\$10,850	18.2%
Contributions	17,669	N/A
Contributions (\$M)	\$2,229	15.3%
Grants	121,031	N/A
Grants (\$ Millions)	\$2,328	17.3%

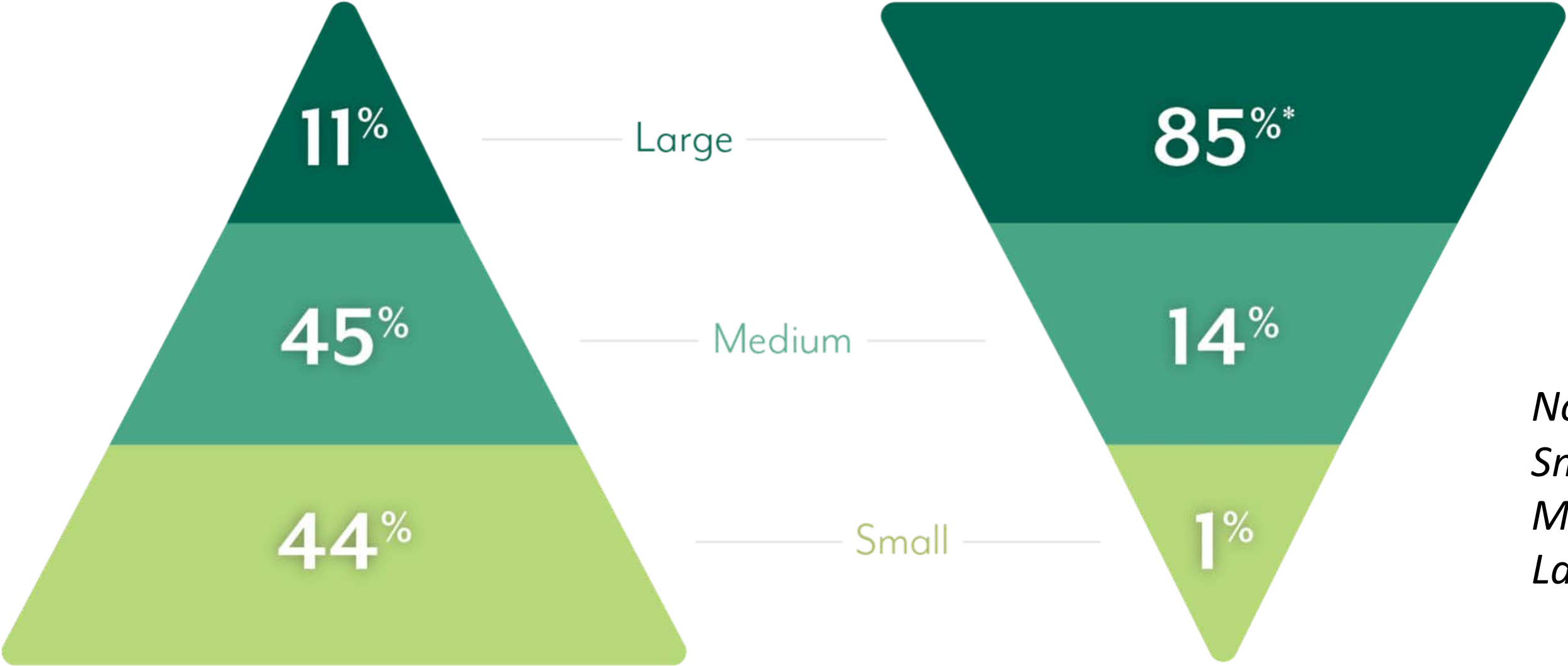
* DAFRC dataset compared with National Philanthropic Trust (2021) statistics.

Small and medium DAFs are more typical than large DAFs

While 11% of DAFs had over \$1 million in assets, the typical DAF is equally likely to be a small-sized DAF with assets under \$50,000 or a medium-sized DAF with assets between \$50,000 and \$1 million.



Large accounts represented at least 85% of the assets



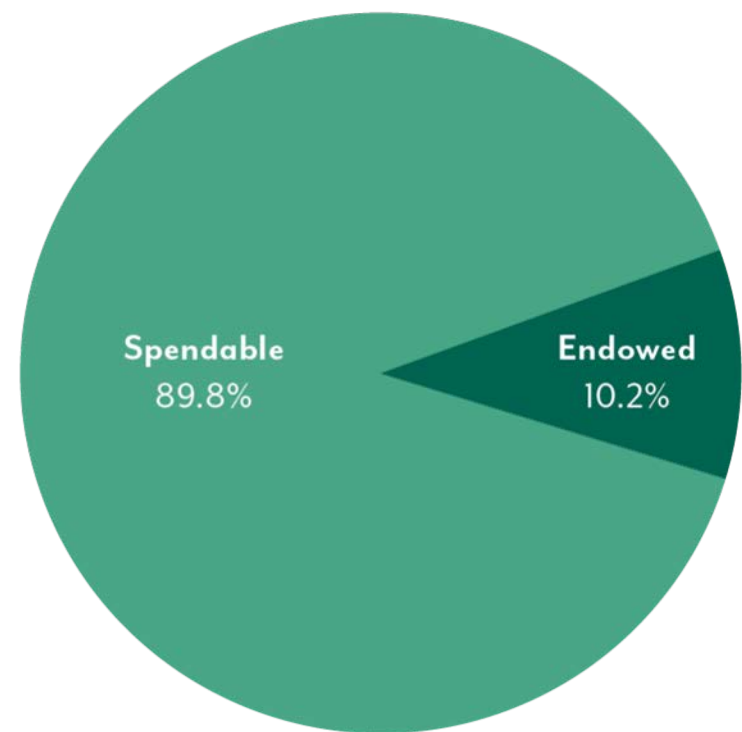
*Note:
Small = under \$50k,
Medium = \$50k - \$1M,
Large = over \$1M.*

Percent of DAF Accounts

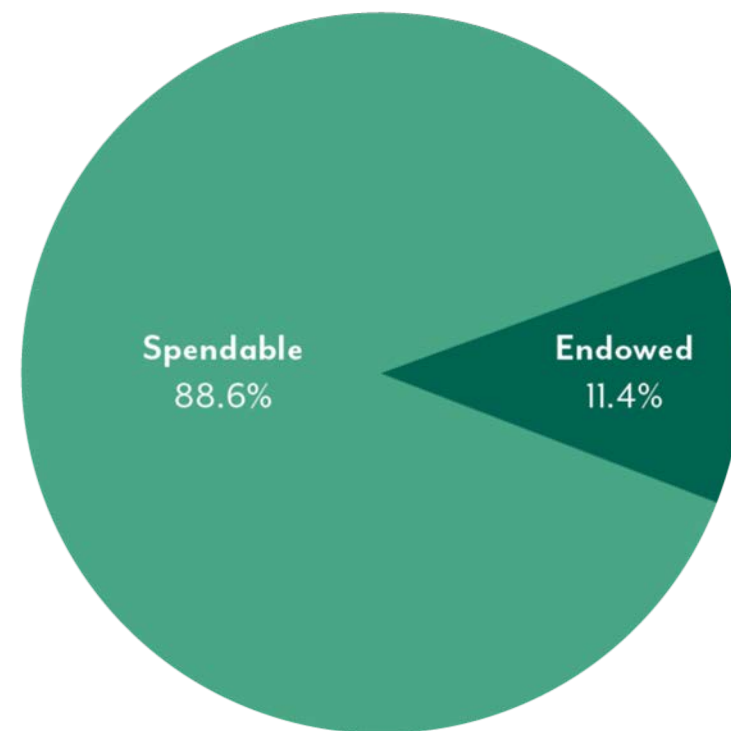
Percent of DAF Assets

DAFs also support long-term giving strategies

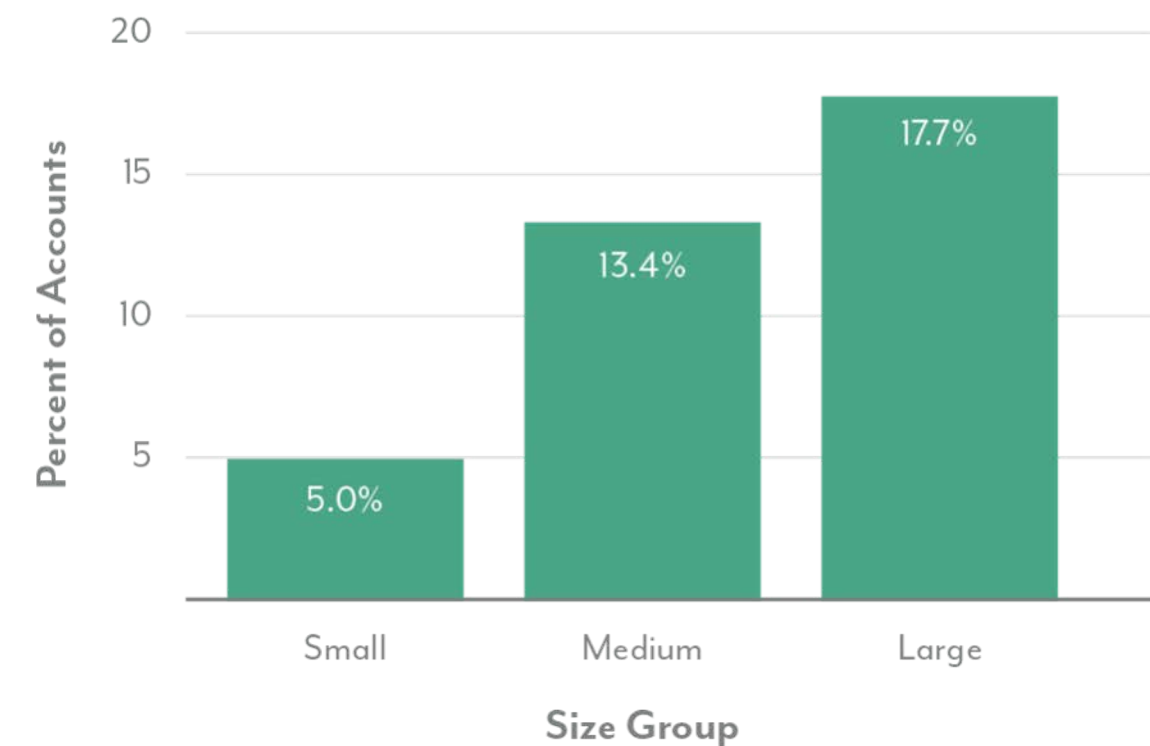
Approximately 10% of DAFs are formally endowed; among large DAFs (\$1M+), 18% are formally endowed. Other donors utilize an endowment-like strategy without a formal endowment designation.



Percent of Accounts

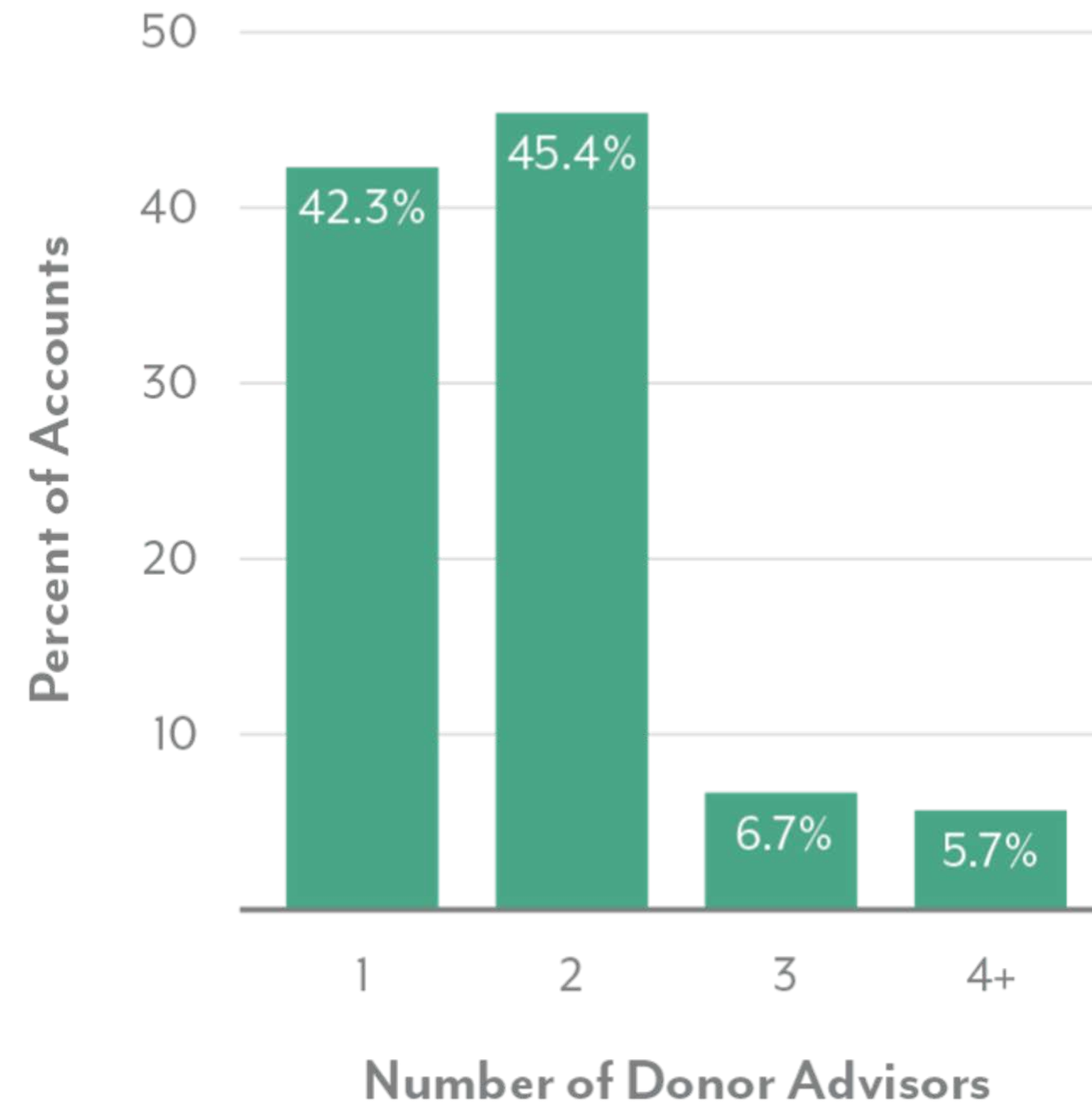


Percent of Assets



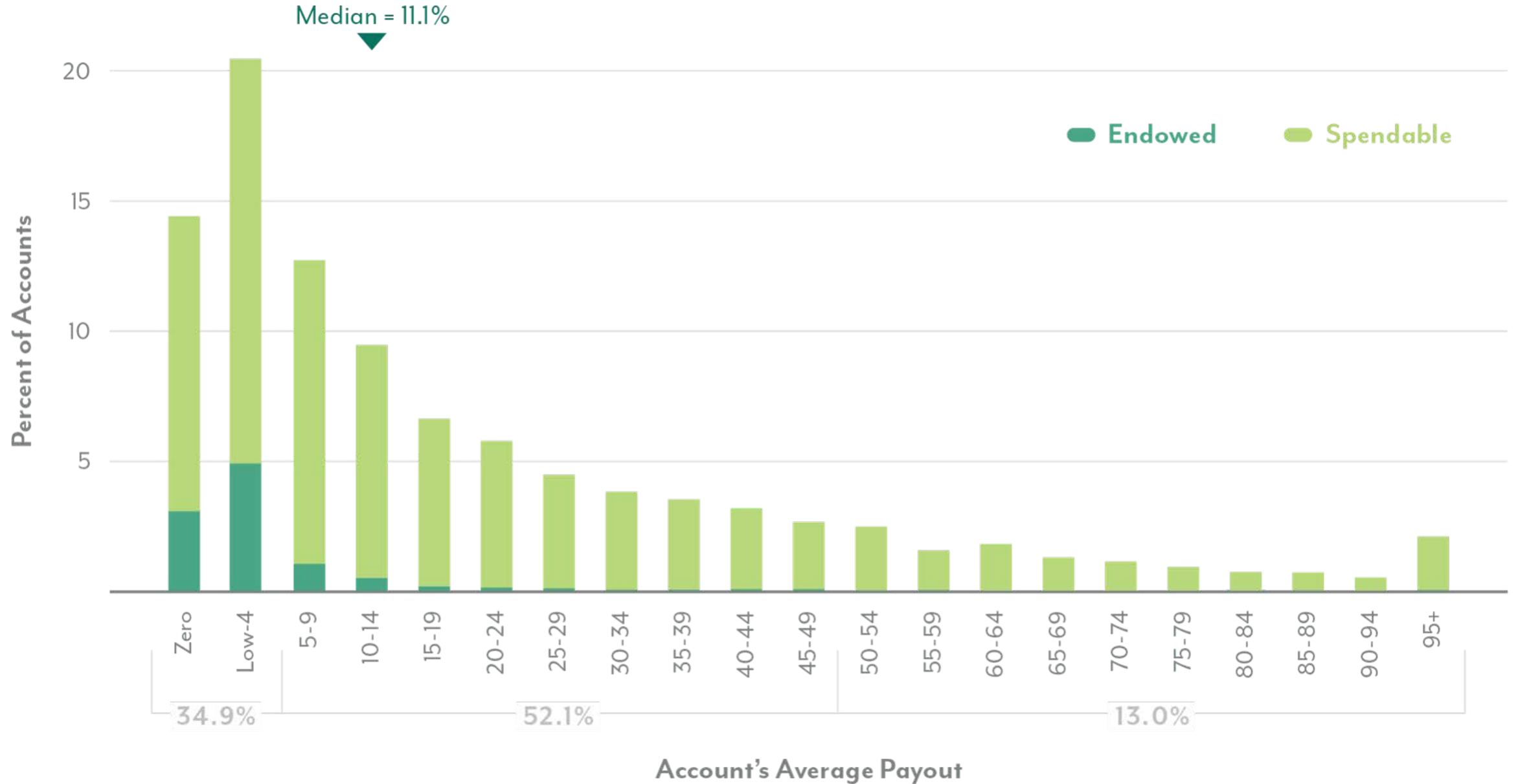
Both individual and family giving can be facilitated through DAFs.

Approximately 12% of accounts had 3 or more donors, which is an indicator of multi-generational philanthropic involvement.



Most DAF accounts (52%) have four-year payout rates between 5% and 49%

About one-third (35%) had a pay out less than 5%, and 13% of accounts have very high payout rates of 50% or more.



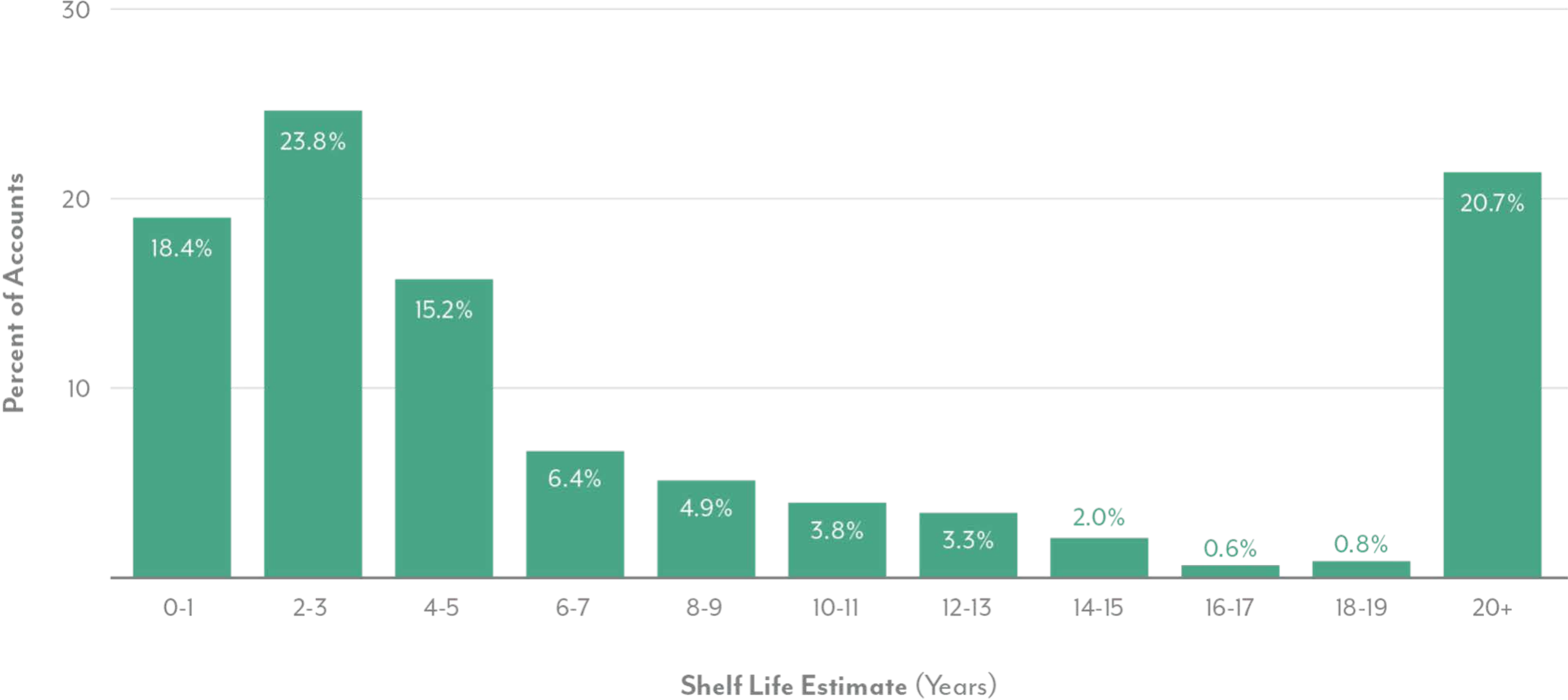
Most new DAFs will spend all or most of the initial contribution within 3 years

Most new DAFs (59%) do not grant out in their first year. After four years, approximately 42% had granted their entire opening contribution, and another 22% had granted at least half.

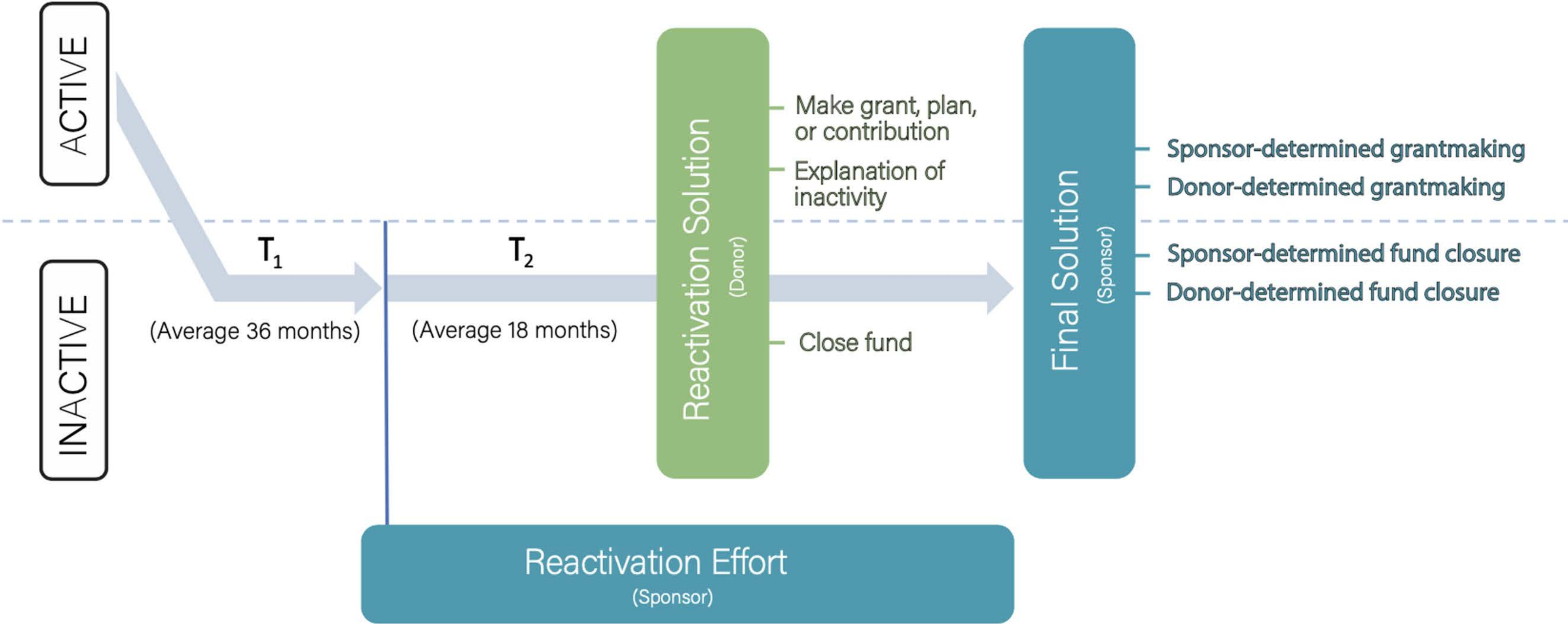


79% of DAFs opened in 2017 will grant all of their initial contribution within 15 years

Based on data from their first 4 years of DAF giving.

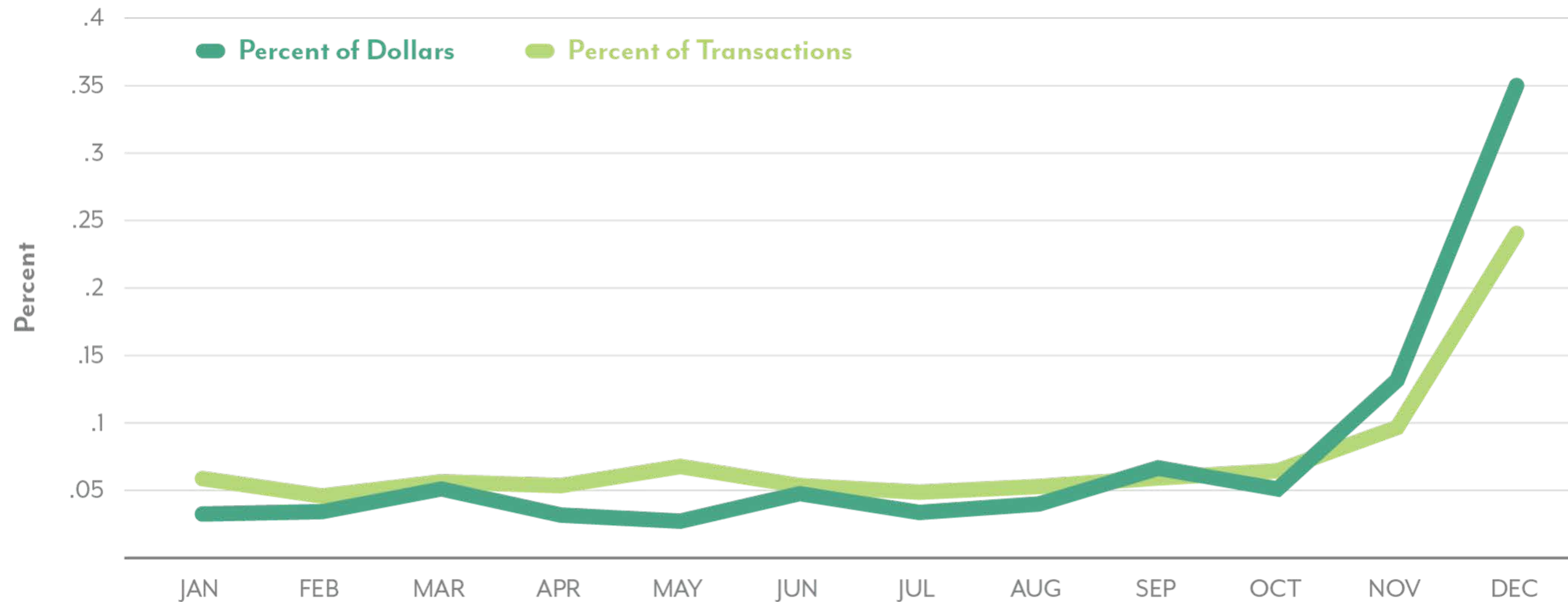


Inactive Fund Policies



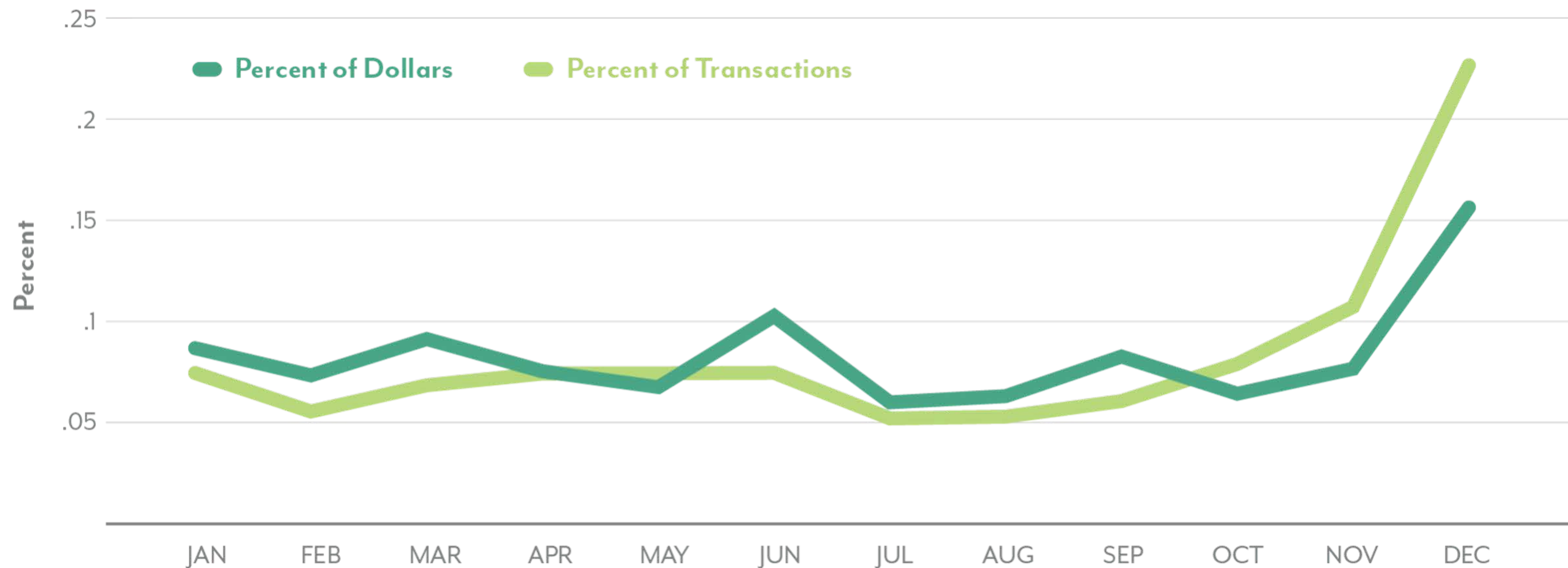
Most DAF contribution dollars were received in the fourth quarter

Approximately 55% of dollars contributed and 42% of contribution transactions in Q4



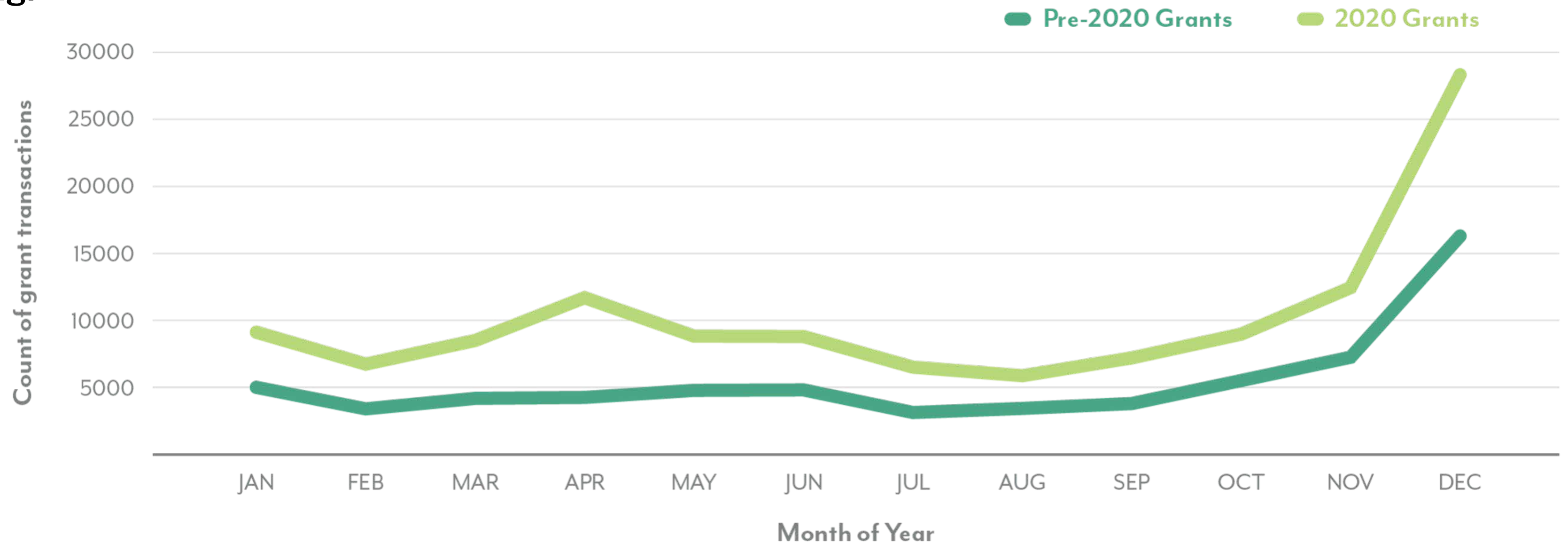
Grants were more evenly distributed throughout the year

Only about 30% of grant dollars and 41% of grant transactions occurred in the last quarter



Crisis donations did not crowd out year-end donations

In 2020, DAFs responded to the crisis by both increasing giving in April and also increasing year-end giving.



Agenda

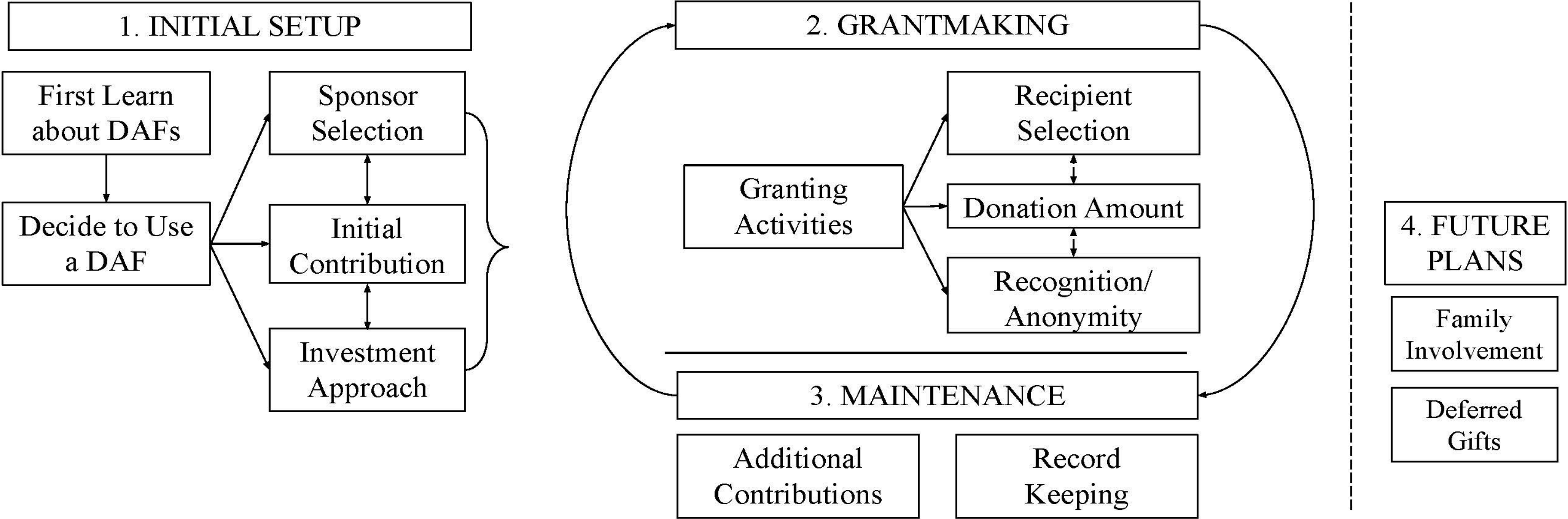
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Interviews with DAF Donors

- 48 interviews
- **Why** did you decide to use a DAF?
- **How** do you use your DAF?



DAF Giving Process



Tubs, Tanks, and Towers

Tubs: 1-2 Years



Tanks: 2-10 Years



Towers 10+ Years



Kayla – Tub Donor

“We give away \$5 million a year. So we put the \$5 million in, we spend it down, we put the \$5 million in, we spend it down”



Yael- Tank Donor

“We don't have a donor-advised fund where the money just sits there, it pretty much gets spent within a year or two of putting it in there. Probably. Well, I should say three years of putting it in there. We sold the winery in the last, I guess almost two years ago. And when we did that, we put a bunch of money in the donor-advised fund, so we could mete it out over years, but we're just finishing that chunk of money.”



David- Tower Donor

“I set myself up a budget of 5% a year, is my budget. So the fund has over 2 million dollars in it right now, so 5% a year is over a hundred thousand dollars. I try to just make that as my annual budget, because I want the fund to stay stable and even grow if possible, which it has been doing.”



DAF Giving Models

	Tub (1-2 years)	Tank (2-10 years)	Tower (10+ years)
Contributing Strategies	Annual	Wealth event	Wealth event
Types of Contributions	Appreciated securities	Securities, cash, and other	Securities, cash, and other
Importance of Tax Savings	No trend	Important/Very Important	Important/Very Important
Grantmaking Strategies	Mostly Annual	Annual, Major, Episodic	Annual, Major, Deferred
Family involvement	Sometimes	Often	Always
Investment Interest	Not-interested to somewhat interested	Somewhat to very interested	Somewhat to very interested
Investment Strategy	Short-term	Intermediate and social-impact	Long-term and social-impact

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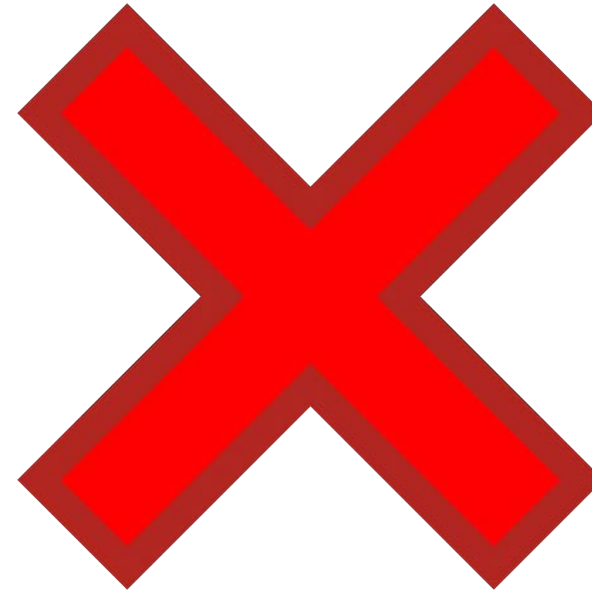
Legal Issues

- Pledges
- Bifurcation
- Memberships
- Scholarships
- Private foundation transfers



Source: National Philanthropic Trust *Can I Use My DAF for That?*
<https://www.nptrust.org/philanthropic-resources/philanthropist/can-i-use-my-daf-for-that/>

Bifurcation



Events, tickets, tables

- Can't split the non-deductible and pay the deductible with DAF



Source: National Philanthropic Trust *Can I Use My DAF for That?*
<https://www.nptrust.org/philanthropic-resources/philanthropist/can-i-use-my-daf-for-that/>

Pledges



What about pledges? “Yes, with qualifications.”

- DAF Sponsor makes no reference to the pledge
- No benefit to donor

← Back to Account summary

Family Giving account Giving Account #1056596

Non-binding pledge

Please provide any additional details you'd like to be sent to the charity.
optional

Maximum 550 characters

Things to remember

Donor-advised funds can be used for a non-binding pledge. However, the IRS prohibits grants from a donor-advised fund from being used for a legally binding pledge.

Cancel Save & Continue

1 > Enter grant details
Your grant list: (0)
Investment pool dollars \$62,097.24

2 > Allocate funds

3 > Confirm & submit

Help

Add a new charity +

Viewing: Last 2 years

Use of Funds: Investment pool dollars

Amount: \$

Use: Pledge (non-binding)

Recognition: Remain Anonymous

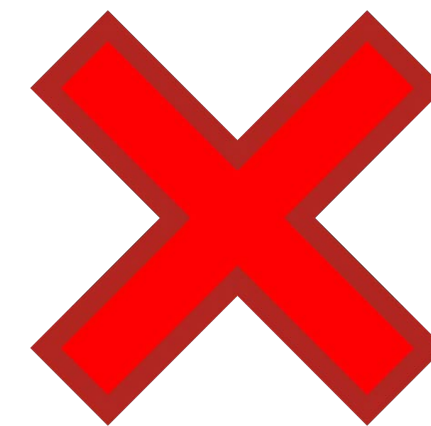
Timing: Annually 12/1/2017 - 1...

Add this grant

Source: National Philanthropic Trust *Can I Use My DAF for That?*
<https://www.nptrust.org/philanthropic-resources/philanthropist/can-i-use-my-daf-for-that/>

Membership

- “Yes” for Memberships with only Incidental Benefits
- “No” for Membership where only part of the membership dues are deductible. (Same as Bifurcation)



Source: National Philanthropic Trust *Can I Use My DAF for That?*
<https://www.nptrust.org/philanthropic-resources/philanthropist/can-i-use-my-daf-for-that/>

Scholarships

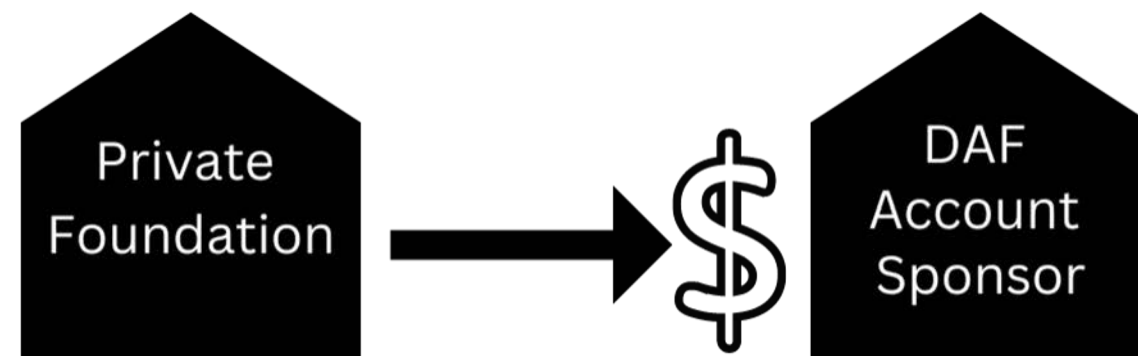
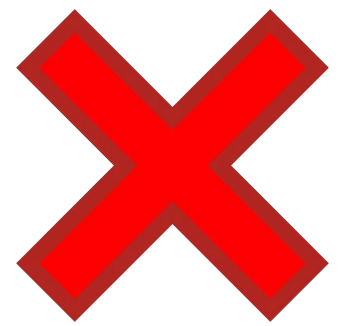


- “Yes” for Scholarship Fund, however...
- Donor may not select recipients
- Donor family members may not receive the scholarship

Source: National Philanthropic Trust *Can I Use My DAF for That?*
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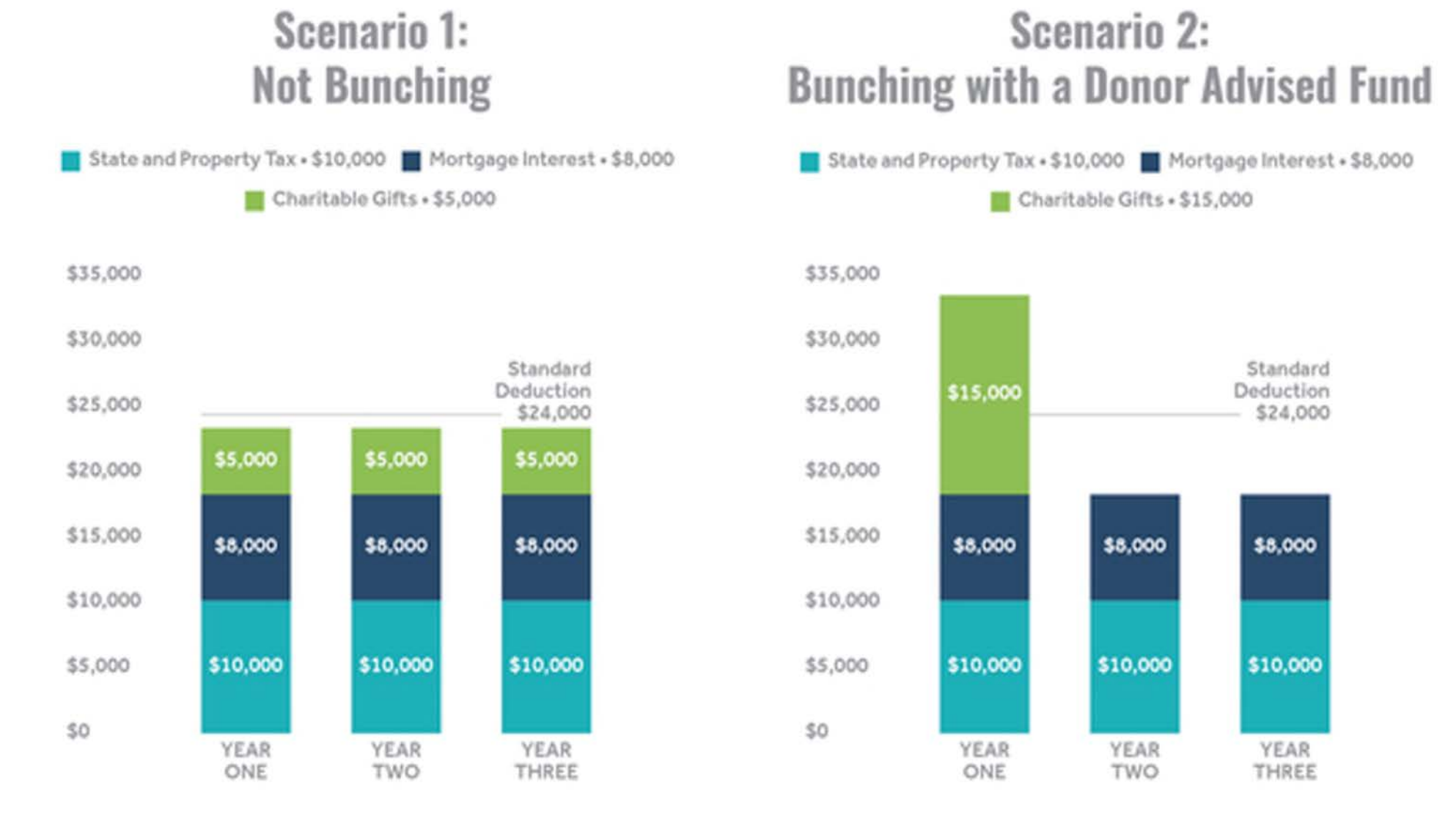
Private Foundation Transfers

- DAFs can receive contributions from private foundations
 - Private foundations can count transfers to DAFs as part of their 5% minimum
- DAFs can NOT grant to Private Non-Operating Foundations
 - DAFs can grant to Private Operating Foundations as long as the grant does not affect their status



Tax Planning Strategies

- DAFs are NOT QCD for IRA
- Bunching
- Donating appreciated assets
 - Securities
 - Real estate
 - Closely held business interests



Estate Planning Strategies

- DAF Succession Plans
 - Successor Advisors
 - Grants (to Sponsor or Other)
 - Legacy Endowments
- Bequests to DAFs





Questions?

Discussion.

Contact Information

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DAFRC

Donor Advised Fund Research Collaborative

www.dafresearchcollaborative.org