



Leveraging Donor-Advised Funds for Planned Giving Success

Lisa Barr
Senior Director, Head of U.S. West
National Philanthropic Trust



1

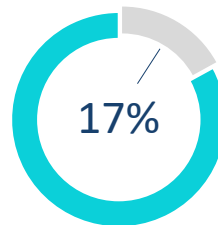


Introduction

Donor-advised fund (DAF) contributions represent 17% of all donations in the USA.

How can nonprofits tap into this \$228.9 billion opportunity?

- What is a DAF?
- Who are DAF donors?
- How can charities engage?



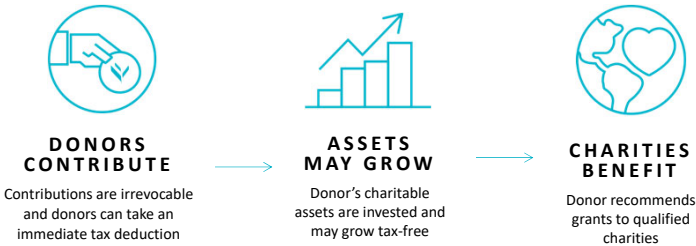
2



How Donor-Advised Funds Work

Donors contribute assets to DAF sponsors—which have 501(c)(3) status—in order to open a DAF account. They retain advisory status on the account and recommend grants to charity.

The DAF sponsor provides administration for the account, including detailed recordkeeping, sub-accounting, quarterly statements, and tax reporting.



3



Donor Testimonials

DONORS CONTRIBUTE

“It is so easy to make my contribution to one place.”

“I do not need to wait for multiple tax receipts from different charities.”

ASSETS MAY GROW

“I'm saving for a rainy day.”

“I love watching my DAF account grow.”

CHARITIES BENEFIT

“Making grants is very simple.”

“I no longer have to write and send checks for small amounts to multiple charities.”

“Instead of looking for an executor, I am going to run my whole estate through my DAF. ”

4



Who are DAF donors?

- DAF donors have a **range of wealth levels**; some sponsors offer DAFs with no minimum initial gift
- The average DAF size is **\$117,466**
- DAF donors are **active philanthropists** who pay out 20%/year
- They are **the same donors you cultivate**
- Most DAF sponsors are agnostic, and you cannot appeal to them directly. What you can do is **better cultivate DAF donors** and make it easier for them to recommend DAF grants to you.

5



The Debate on DAFs

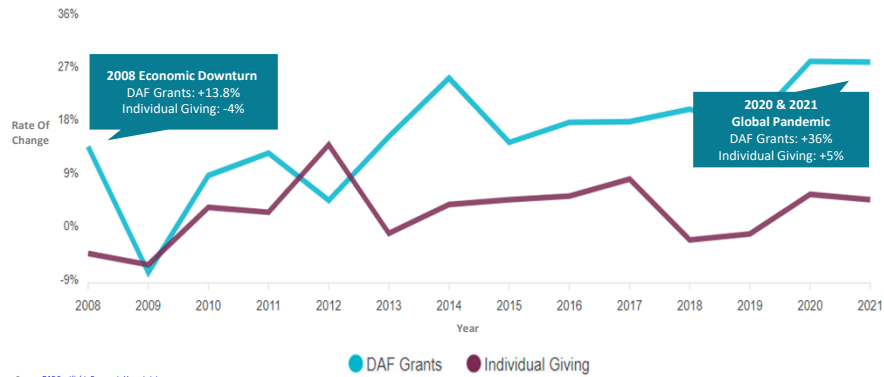
- | | | |
|---|---|--|
| ▪ Unlike foundations, there is no 5% annual payout requirement | → | DAFs pay out 20%+ of their assets each year, and less than 1% of DAF accounts are dormant |
| ▪ Administrative fees are collected by the DAF sponsor | → | Charitable endowments are also charged management fees |
| ▪ If a beneficiary is not named, the funds stay with the DAF sponsor after the advisor dies | → | DAFs are set up to provide for succession plans; if none is provided, assets go to the DAF's charitable fund |
| ▪ Gifts can be made with total anonymity | → | Less than 1% of DAF giving is conducted anonymously |

6



Individual Giving vs. Grants from DAFs

DAFs are a sustainable source of nonprofit support as grantmaking is less likely to be impacted by periods of economic distress.



7



Demystifying the DAF

- DAFs are charitable tools used by your very own donors as charitable savings. Putting away charitable dollars helps keep grantmaking funds available even in lean times; some evidence suggests that DAF grantmaking is more **recession-proof** than other forms of giving
- There is a misconception that the \$228.9 billion in DAFs is fully inaccessible; it was placed and is **advised by the donors you cultivate**

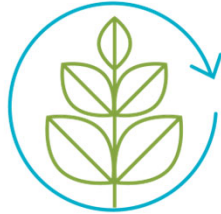
Donors can do a lot with their DAFs.

What can YOU do to engage with them?

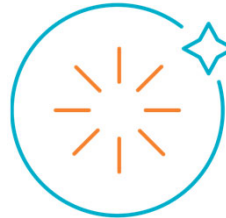
8



DONORS CAN: Recommend grants to their favorite charities.



They can create reliable, recurring grants for familiar organizations out of a **sustainable** funding source



They can draw on this charitable reserve to support exciting **new projects**

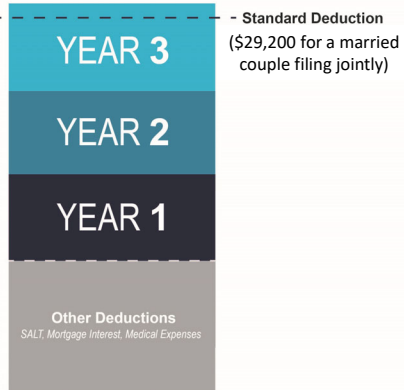


CHARITIES CAN: Target your DAF donors.

- Treat your DAF donors like **major gift donors**.
(There is more where that came from!)
- Let your donors know **how you will credit grants** made from their DAFs. (Often, the donor gets soft credit, and the DAF account gets hard credit.)
- Set up meetings with donors who give through DAFs and ask them to consider major gifts or **multi-year pledges**.
 - Please note that recent IRS regulations state that grants from DAFs may satisfy multi-year pledges so long as the grant letter does not indicate that it will satisfy a legally binding agreement
 - Consider instead using an Intention to Give form



DONORS CAN: Streamline their giving.



Donors can “bunch” or “bundle” by contributing several years’ worth of giving to their DAF at a time, itemizing their deductions for that year with a **single tax receipt**, and having the funds ready for future grantmaking to any number of organizations

11



CHARITIES CAN: Include DAF info in solicitation material.



- If donors choose DAFs because it makes giving easy, **make giving to your organization easy, too.**
- Including DAF grant instructions in your materials **signals your understanding** of this giving method and builds donor trust.
- On your response mailer or Intention to Give form, request that your donors **indicate whether they will give from a DAF**; this will help you match the grant to the donor, and credit them appropriately.

12



DONORS CAN:

Establish a charitable legacy through creative estate planning.

Succession plans often let donors:

- Distribute funds to a **successor** who will advise their own DAF
- Name a **charitable beneficiary**
- Design a plan including some **combination** of the above

This lets donors strategize for the **long-term impact** of their DAF grants.



DONORS CAN:

Establish a charitable legacy through creative estate planning.

- ✓ Some donors make their DAFs the beneficiary of their entire estate.
 - *Relieves the burden of the executor or trustee who will sell and distribute assets*
- ✓ Some donors make their DAFs the owners of life insurance policies with charitable beneficiaries.
 - *Premium payments are tax deductible*
- ✓ Some donors make their DAFs the beneficiary of their retirement accounts/IRAs.
 - *Reduces taxable estate and preserves more value by avoiding the inheritance tax that would be assessed if the assets were left directly to an heir*

Many donors are **converting their foundations to DAFs** in order to relieve their administrative burden and simplify their tax filings.



CHARITIES CAN: Segment DAF donors for planned giving appeals.

- DAF donors already have to think about succession planning, which makes them good candidates for **planned giving**.
- Work with them to name your organization as a **charitable beneficiary** to their DAF.



DONORS CAN: Make granting a family affair.

- Donors often work to instill charitable values in their children by naming them as **secondary advisors**.
- DAFs are a way to start a **charitable conversation** with the whole family.



CHARITIES CAN: Engage the whole donor family in cultivation.

- Cultivate DAF donors through **family-friendly events** to facilitate engagement with younger generations.
- Create a donor pipeline by inviting children of DAF donors to join a **Young Friends association or Junior Board**.
- Ask the donor to establish an endowed fund at your organization during their lifetime and **send endowment reports to their children**.



© National Philanthropic Trust. All rights reserved. 17

17



DONORS CAN: Convert complex assets into charitable capital.

DAFs offer donors the ability to donate **complex assets**:

- Publicly-traded stock
- Restricted stock
- Real estate
- Tangible personal property
- Cryptocurrency
- ...and more

Direct contribution affords donors **significant tax savings** over donating the proceeds from the assets' sale.

© National Philanthropic Trust. All rights reserved. 18

18



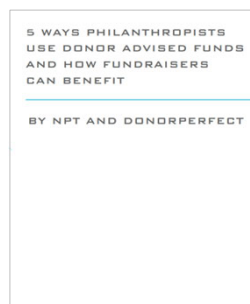
CHARITIES CAN: Partner with a DAF to accept complex assets.

- Conduct an honest assessment of your organization's ability to **accept the assets** your donors might be looking to give.
- Some organizations might be good candidates for a **designated fund**, to which donors can contribute their illiquid gifts for your organization's benefit.

19



Further Resources



White paper coauthored by
NPT and DonorPerfect



Essay by ONE HUNDRED Agency
and Changing Our World, Inc.

These resources and more are available on the
"For Charities" page of nptrust.org

20



Conclusion

With the right strategy, charities can make DAFs work for them.

1. **Communicate** how you credit DAF grants
2. **Include** DAF language in your solicitations
3. **Cultivate** DAF donors for planned gifts
4. **Engage** the family of DAF donors
5. **Partner** with a DAF sponsor for complex gift administration



© National Philanthropic Trust. All rights reserved. 21

21



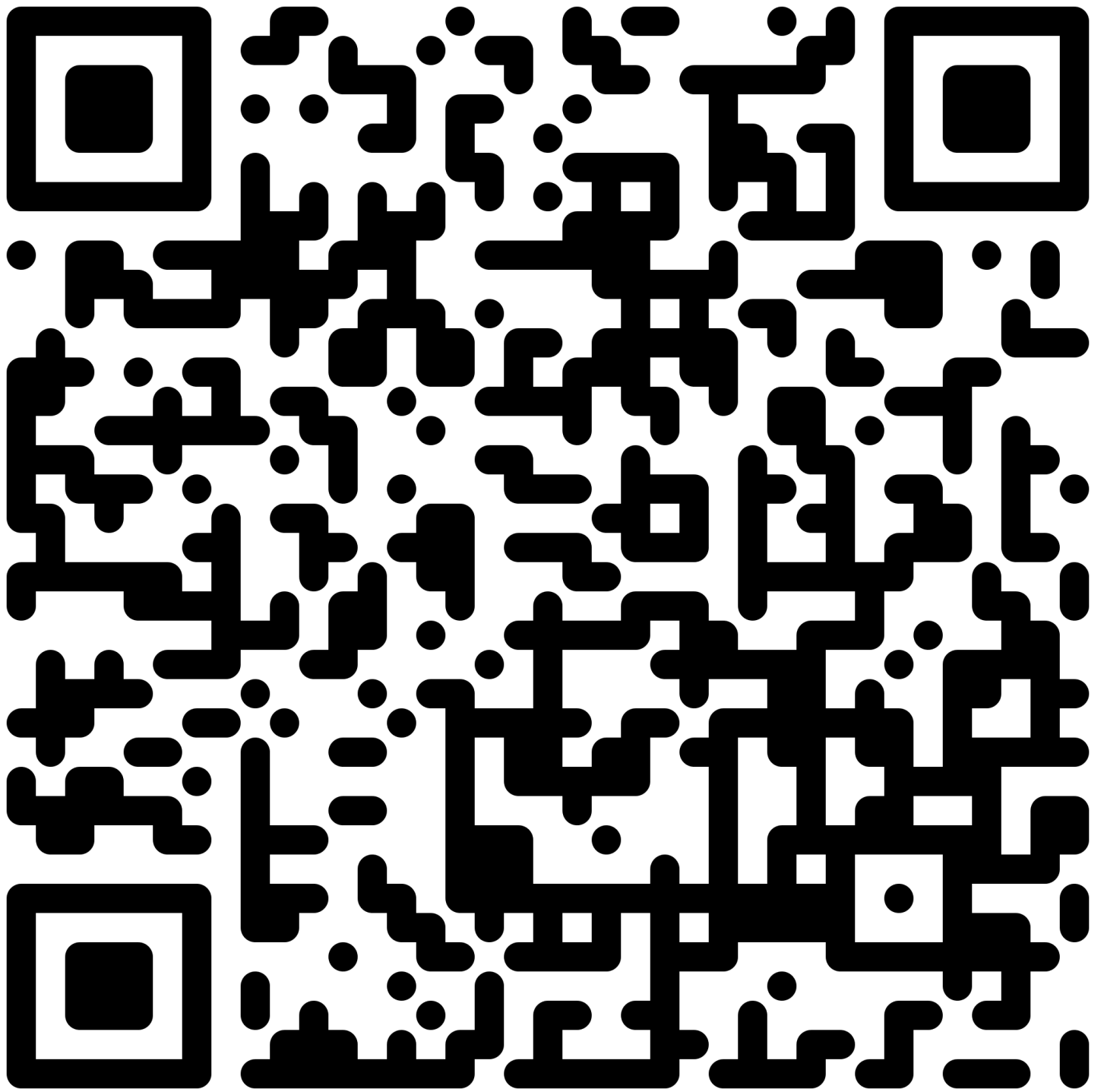
National
Philanthropic
Trust

Your partner in giving

Lisa Barr, CAP
Senior Director
Head of U.S. West

(215) 277-3090
lbarr@nptrust.org

22



Lisa Barr

