

PUTTING THE CENTRIC IN DONOR-ADVISED FUNDS



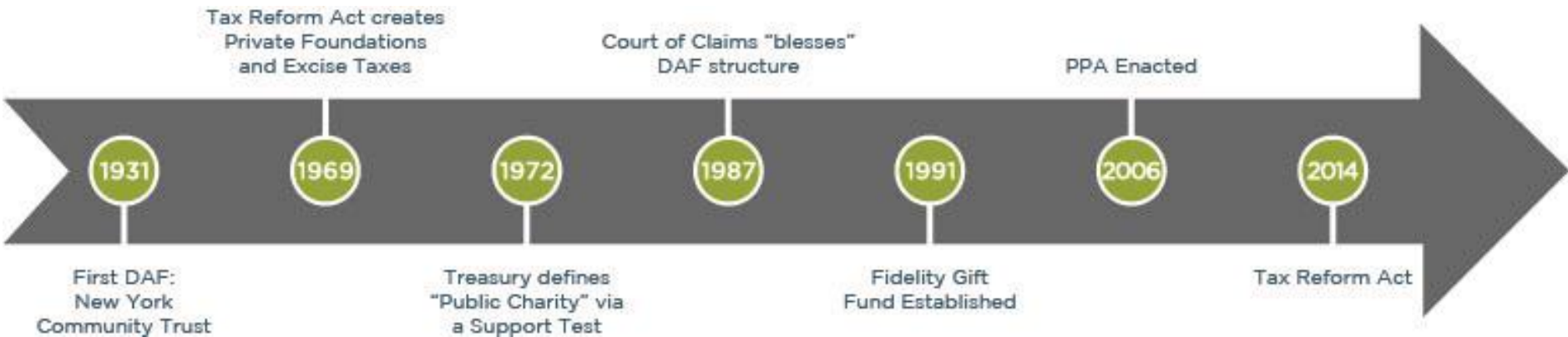
September 13, 2017

Presentation by: Joanne Pipkin

Agenda:

- **History**
- **Components and Comparisons**
- **Donors and Gift Officers**

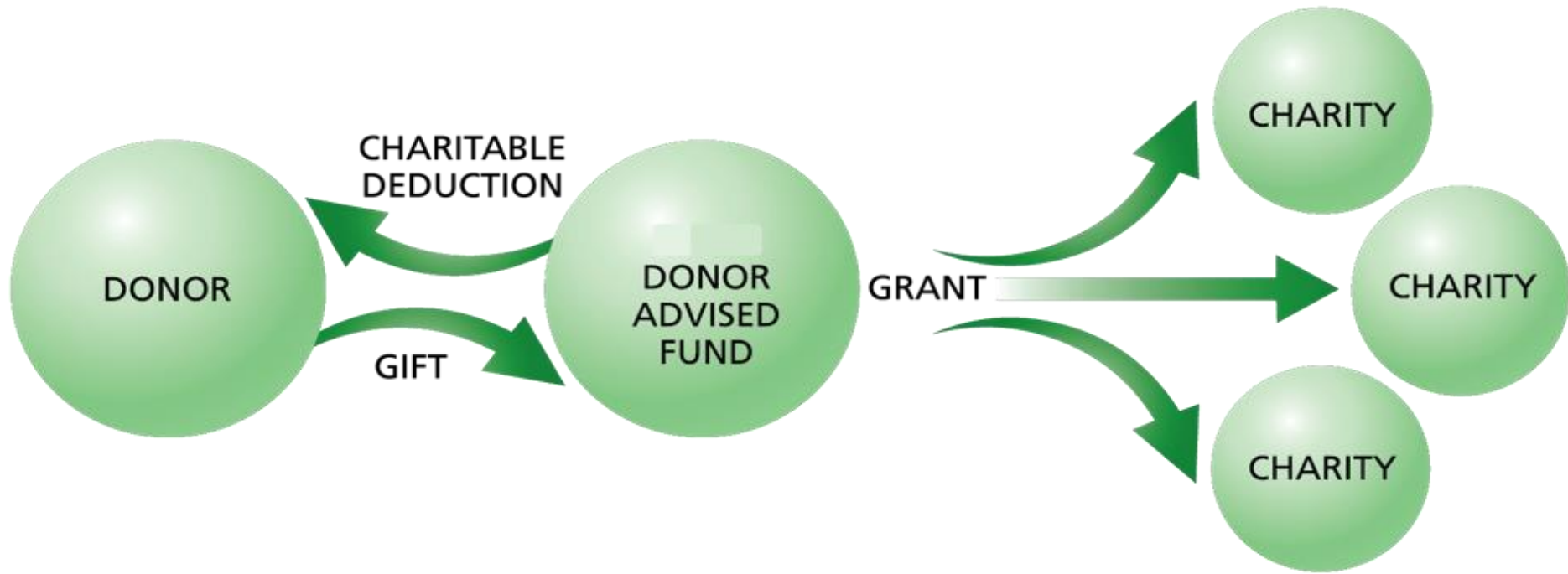
Brief History Overview



What is a Donor-Advised Fund?

- According to IRC Section 4966:
 - i. a fund (account);
 - ii. separately identified by reference to contributions of one or more donors
 - iii. owned and controlled by a public charity (the “sponsoring organization”); and
 - iv. with respect to which a donor (or any person appointed by the donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amount held in the fund or account by reason of that person’s status as a donor.

- Sponsoring organizations, e.g. community foundations
- Fund Advisors; successor advisors
- Grant recommendations
- Qualified charities
- Grants



Grantmaking Fund Terms

Acceptable Gifts

- ❑ Cash
- ❑ Publicly traded securities and bonds
- ❑ Mutual funds
- ❑ Closely held stock, S Corp, or other business interest (LLC)
- ❑ Real estate including undeveloped land
- ❑ Cash value of life insurance
- ❑ Pre-IPO shares
- ❑ Tangible personal property
- ❑ Other DAF or private foundations

The “Don’t(s) of DAFs

- ❑ IRA CQD – but can be accepted in a field of interest or designated fund
- ❑ Grants used to satisfy a binding pledge
- ❑ Distributions to individuals (except qualified scholarship funds)
- ❑ Excise tax if distributions confer “more than incidental benefit” to a donor, advisor or family member
- ❑ Used to pay for tickets, dinners
- ❑ Used to fund CRT or CGA

Donor-Advised Fund Metrics*

| | <u>2014</u> | <u>2015</u> | <u>% Change</u> |
|----------------------|--------------|--------------|-----------------|
| Charitable Assets | \$70.3bil | \$78.6bil | 11.9% |
| Total Contributions | \$19.9bil | \$22.3bil | 11.4% |
| Total Grant Dollars | \$12.4bil | \$14.5bil | 16.9% |
| Grant Payout | 21.7% | 20.7% | |
| Total # of DAF Accts | 242,390 | 269,180 | 11.1% |
| Average Size of DAF | \$216,760 | \$265,727 | 8.8% |

* Data from National Philanthropic Trust's 2016 Donor-Advised Fund Report



Comparison of DAFs to Private Foundations*

Individual DAFs outnumber private foundations and the combined total of other gift planning vehicles (trusts, annuities and pooled income funds)**

| <u>Total # of Funds</u> | <u>2014</u> | <u>2015</u> | <u>% Change</u> |
|-------------------------|-------------|-------------|-----------------|
| DAFs | 242,390 | 269,180 | 11.1% |
| Private Fdns. | 79,729 | 81,802 | 9.7% |

Assets (\$) of private foundations far exceed DAFs

| <u>Dollar Value \$</u> | <u>2014</u> | <u>2015</u> | <u>% Change</u> |
|------------------------|-------------|-------------------|-----------------|
| DAFs | \$70.3bil | \$78.6bil | 11.9% |
| Private Fdns. | \$712.5bil | <i>\$781.6bil</i> | 9.7% |

*Data from National Philanthropic Trust's 2016 Donor-Advised Fund Report

**2012 last reported year for combined other gift planning vehicles

Estimated



Other Type of Funds

Offered by Community Foundations only:

- **Field of Interest**
- **Designated**
- **Agency Endowments**

Offered by Community Foundations and other qualified sponsoring organizations:

- **Scholarship**
- **Unrestricted**
- **Disaster Relief and Hardship**

Why Donors Use DAFs

- **EASE!!! Convenient philanthropic checkbook**
- **Income tax charitable deduction**
- **Ability to control the timing of charitable contributions**
- **Ability to advise (recommend) gifts**
- **No administrative responsibilities**
- **Grants can remain anonymous**
- **Complex gifts accepted**
- **Generational planning**

How to Approach Donors

- Problem solve on complex gift scenarios
- If gift acceptance policy is too narrow to accept complex gifts, work with an organization that offers DAFs, e.g. Greater Washington Community Foundation
- Recognize that your organization is qualified as a public charity
- Talk about gifts at life events
- DAFs as part of a bigger gift plan



Questions??

Thank You!

