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Donor Advised Funds – The Multi-Tool of Philanthropy

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Agenda

- 1** Overview of Donor Advised Funds (“DAFs”)
- 2** Gifting Phase – Donor Perspective
- 3** Granting Phase – Donor Perspective
- 4** What are Organizations Doing to Engage DAF Donors
- 5** Key Takeaways

Philanthropy

Philanthropy

The physical
manifestation of
one's values

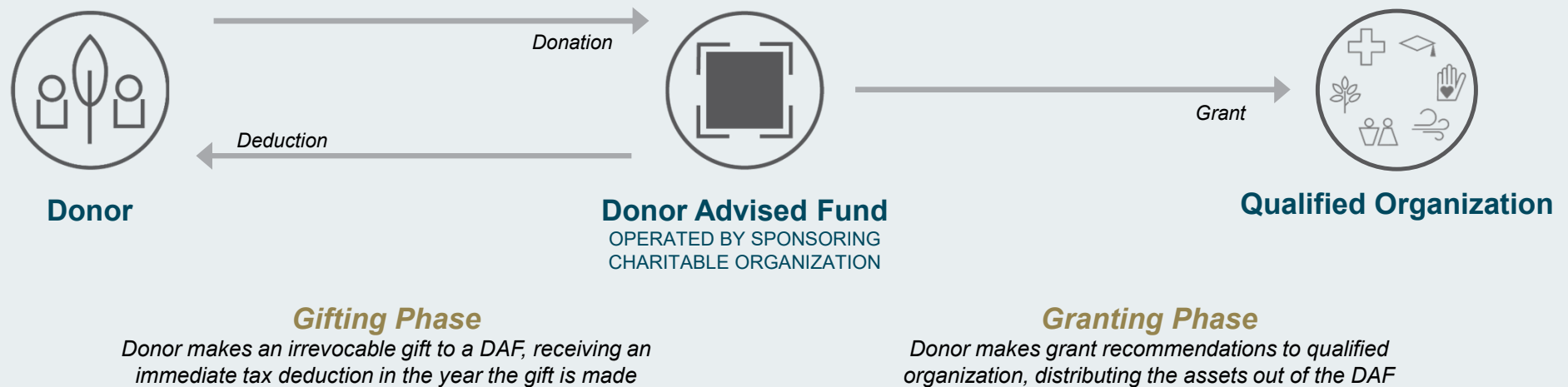
Donor Advised Funds



Simple structure, versatile application

Definition of a Donor Advised Fund

- ▶ A separately identified fund or account maintained and operated by a sponsoring organization
- ▶ Each account is composed of contributions made by individual donors
- ▶ Once the donor makes the contribution, the sponsoring organization has legal control over the funds
- ▶ Donors have, or reasonably expect to have, advisory privileges with respect to the distribution of funds and the investment of assets in the account



Overview of Donor Advised Funds

\$52.16 billion

Grants in 2022, up 9% from 2021

\$85.53 billion

Contributions to donor advised funds in 2022, up 9% from 2021

2.9%

Increase in number of donor advised fund accounts from 2021

\$117,466

Average size of an individual donor advised fund in 2022

20+%

Annual grant payout rate for every year on record

\$228.89 billion

Charitable assets in donor advised funds in 2022, down 1.1% from 2021

Gifting Phase: Representative DAF Donor



- **65** years old / **55-80** years old (49% Boomers)
- Gender evenly balanced (49.7% Female, 50.3% Male)
- **Repeat** donor(s) / 61% of accounts had multiple gifts
- Funding with **securities** / **65%** of all contributions were **cash** vs. 34% securities
- Giving in **December** / November & December received the most contribution transactions and dollars
- **\$104,000** average contribution / Highest proportion of contributions fall between **\$10,000 and \$50,000**

Sources: BNY Mellon Charitable Gift Report 2023
Donor Advised Fund Research Collaborative (DAFRC) 2024. *National Study on Donor Advised Funds.*

Gifting Phase: Trusted Advisors

- Stewardship
- Holistic Advice Model
- Tax Planning
- Investments
- More effort on establishing the DAF account vs. utilizing it

Gifting Phase: *Donors*



Planning

- Tax planning or liquidity event
- Philanthropy part of their overall financial planning



Educating

- Tool to guide, develop and teach family about philanthropy and family values
- Training for next generation and/or successors to the family foundation



Committing

- Demonstrating affinity to one charitable organization
- Private label or single use DAF



Planning *Solves Problems*

Donors:

- *Simplifying giving*: Isabel supports 35 charities annually
- *Liquidity Event*: Kelly just sold her business
- *Retirement Planning*: Cathy is retiring in approximately 3 years
- *Complex/non-cash assets*: Adam has a lot of wealth tied up in privately held stock



Educating *Transmits Values*

Donors:

- *Private Foundation*: Nikki & Brian want extended family to eventually take over
- *NextGen*: Jim & Anne want grandchildren to appreciate what they have
- *Family*: George & Muriel want adult children to bond over giving



Committing *Reinforces Principles*

Donors:

- *Legacy*: Brendan wants to support causes long after he is gone
- *Private Label/Single Use*: Elena loves her alma mater
- *Responsible/Impact Investing*: Matt believes that investments should echo his values

Granting Phase: Representative DAF Donor

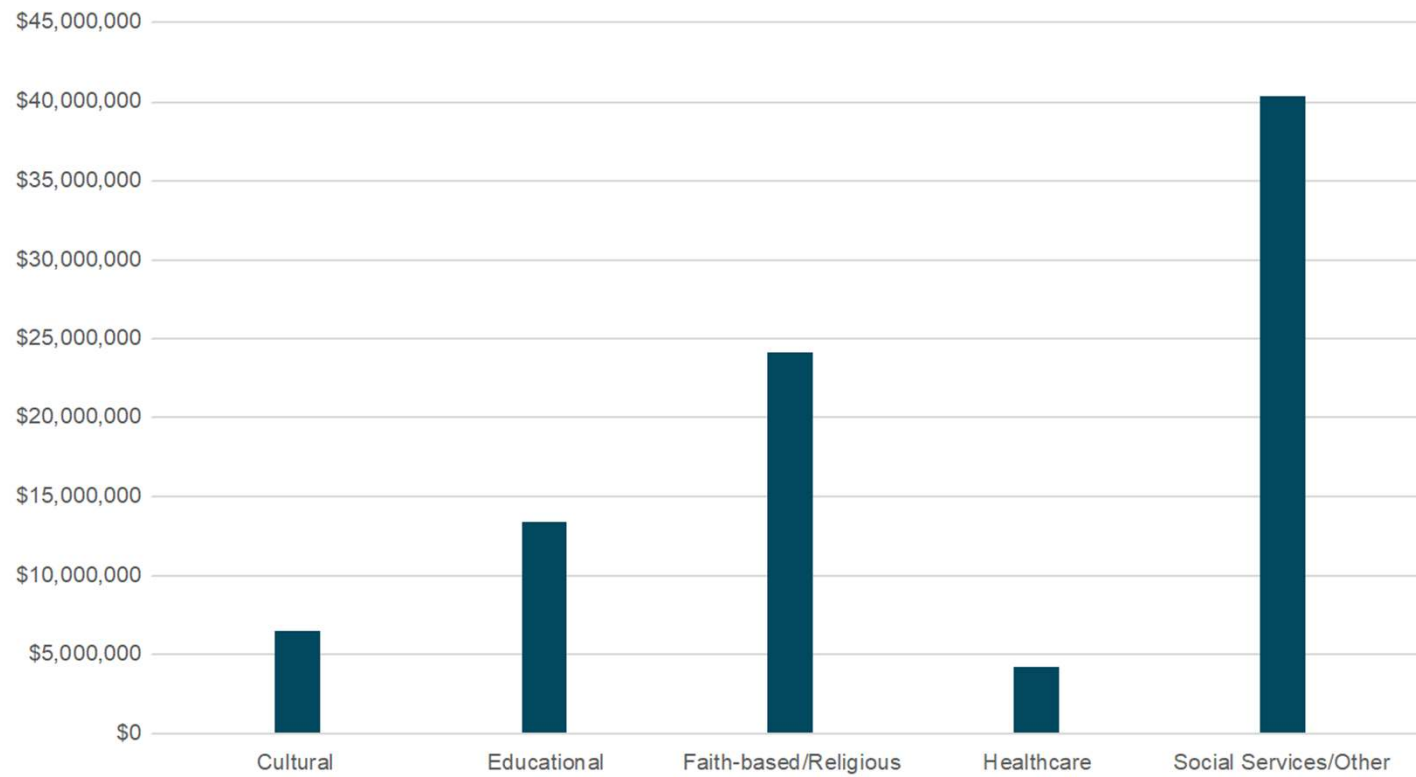


- **\$7,000** median grant / 44% of DAFs granted out less than \$10,000, and another 44% between \$10,000 and \$100,000
- 46% of DAFs gave to fewer than 3 organizations
- 9% of DAFs gave to more than 15 organizations annually
- Granting in December (21% of transactions, 15% of dollars)
- Grants over \$50,000 were distributed more evenly throughout the year.
- Grants lower than \$50K more common at year-end
- Recommending grants to **social & human services organization**

Sources: BNY Mellon Charitable Gift Report 2023

Donor Advised Fund Research Collaborative (DAFRC) 2024. *National Study on Donor Advised Funds.*

Representative DAF Granting - 2022



Granting Phase: *Donors*



Planning

- Charitable checkbook
- Recurring grants
- Matching grant programs
- Natural disasters & humanitarian crises
- DAF to DAF transfers



Educating

- Entity DAFs / **only compose 3% of all DAFs**
- Couples and siblings as joint advisers on a DAF account
- Sub-accounts for young adults
- **Certain firms working with DAF donors on more strategic granting**



Committing

- Legacy planning / **92% of DAFs have a succession plan in place. 30% of those designate a nonprofit beneficiary**
- Local community support
- Typically, same group of grantees, whether a few or many
- “Thank you” matters / **less than 4% of grants are made anonymously**

Granting Phase: *Donors*



Planning



Educating



Committing

Stewardship

How is your organization
creating that connection?

Strategy Checkpoint

- How are you engaging your donors to discuss their DAF strategies?
 - Proactive vs. Reactive giving



- Do you have a marketing strategy that is geared towards donors with a DAF?
- Are your fundraisers trained in DAFs?
 - Structure, incidental benefit, no QCD

Strategy Checkpoint

- Does your public website reference DAFs?
 - Direct donors to their DAF sponsoring organization
 - DAF sponsoring organization friendly (mailing address, EIN, etc.)
- Do your gift agreements incorporate “DAF friendly” language?
 - Intent to Recommend
- How do you thank and/or recognize donors who give through DAFs?
 - Thank the donor, not the sponsoring organization



Key Takeaways

1

Know the reasons, know the ways

- Donors use DAFs in a variety of ways for a variety of reasons

2

Know & Steward your DAF donors

- Strong affinity for your organization
- Thank the recommender not the DAF sponsoring organization

3

Educate yourself and your donors

- DAFs are simply another vehicle for giving
- DAFs can create a legacy gift opportunity

4

Take a hard look at your systems, processes and procedures

- Do they take DAFs into account?

5

Expect more attention on DAFs in the future

- What impact will proposed changes have on DAF giving?



Thank you



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