



EFFECTIVE ALTRUISM A GUIDE TO DONOR ADVISED FUNDS

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EXECUTIVE SUMMARY

Donor Advised Funds are the most popular giving vehicle in philanthropy. Many DAFs will help you spend less time dealing with the complicated, administrative side of giving and more time focusing on what you want to achieve

- Contribute a wide range of assets
- Access customized philanthropic services
- Choose best-in-class investments
- Grant and create a permanent giving legacy Grant

WHAT IS A DONOR ADVISED FUND?

Giving frequent donations to charities is not easy. Headaches, particularly related to paperwork and taxes, abound. While writing separate checks may still be the best option for small gifts, a popular alternative is the donor-advised fund.

A donor-advised fund sometimes referred to as a DAF, is an account, maintained and operated by an umbrella nonprofit group, called a 501(c)(3) organization, set up by sponsoring organizations.

It allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend grants from the fund over time. Donors can contribute to the fund as frequently as they like, and then recommend grants to their favorite charitable organizations whenever it makes sense for them.

You can open an account and give it any name you want, such as the “John and Jane Doe Foundation.” You don’t have the expense and hassle of running a real foundation. Then, as the donor to the fund, you make contributions into your account.



HOW DOES IT WORK?



- **Contribute assets**

- To establish your donor-advised fund, you make an irrevocable contribution of personal assets, which could include cash, stock, real estate and more. Many donor-advised funds accept a wide range of assets, helping you turn just about any asset into philanthropic capital.

- **Receive an immediate tax deduction**

- When you contribute to your donor-advised fund, you may be eligible to claim an itemized tax deduction for federal and/or state income tax purposes.
- Donor-advised fund sponsors are public charities, so your donation is considered a tax-deductible charitable contribution. The amount of the deduction will depend on several factors, including the type of asset donated and how long you have owned it.
- This arrangement allows you to plan your gift so that you can take the tax deduction when it makes sense for you and to recommend grants to your favorite charitable organizations at any point in the future

- **Personalize your DAF account**

- As you establish your donor-advised fund account, you can structure it in a way that best meets your charitable goals.
- You can name your donor-advised fund (DAF) anything you would like; appoint friends and family members to help you manage the responsibilities of a DAF; and design a legacy plan to determine what will be done with your DAF assets beyond your lifetime, which may include appointing successors or charitable beneficiaries.



- **Invest your DAF assets for growth**

- You can recommend an investment strategy for the assets in your donor-advised fund account by selecting an allocation from among the pre-approved investment offerings.
- The assets in your DAF are invested following your recommendations. Any investment growth is tax-free, giving you the potential to create even more altruistic capital for worthwhile causes.

- **Support your favorite charities, now or in the future**

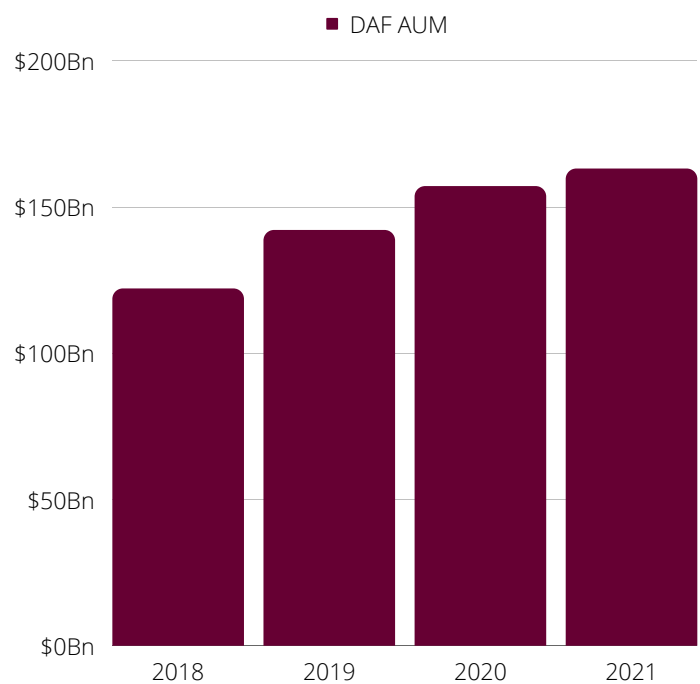
- As soon as your donor-advised fund is established and funded, you can recommend grants to the charitable organizations closest to your heart.
- Many DAFs approve grants to most organizations that are tax-exempt under Internal Revenue Code (Code) Section 501(c)(3) and classified as public charities under Code Section 509(a), as well as certain private operating foundations.
- The DAF sponsors perform due diligence on every grant recommendation to ensure that your grant money will be used for charitable purposes. You can make single or recurring grants, either with recognition or with total anonymity.



A BRIEF HISTORY ON THE DONOR ADVISED FUND

The first donor-advised funds were created in the 1930s, though donor-advised funds were not recognized formally in the Code until the Pension Protection Act of 2006.

In the 1990s, donor-advised funds began to grow in visibility and popularity, and today they are philanthropy's fastest-growing vehicles. Grants from donor-advised funds account for more than 3 percent of all giving in the United States.



BENEFITS OF A DONOR ADVISED FUND

DAFs have become popular in part because of their versatility, allowing donors to give when, what, how, and where is most favorable for them.

There are many reasons why donors choose a donor-advised fund as a philanthropic giving vehicle. Charitable giving with a donor-advised fund can be a tax-efficient way to build a charitable legacy.

Here are the benefits of a donor-advised fund:

- Maximize tax benefits
- Contribute immediately, build a philanthropic strategy and donate when you're ready
- Grow your contributions over time, making more charitable dollars available to nonprofits
- Guarantee philanthropic dollars reach the causes you care about with an irrevocable contribution
- Simplify organization and administration
- Create a charitable legacy
- Choose how you are acknowledged
- Develop a philanthropic vision and philosophy
- Reach international charities and NGOs while still receiving federal tax credit



DAF'S VS PRIVATE FOUNDATIONS

DAFs and private foundations have similar goals, both being financial vehicles for philanthropic endeavors. The two differ from a legal standpoint, and each vehicle has different requirements, benefits and structures.

	Donor-Advised Funds	Private Foundations
Start-Up Time	Immediate	Can take several weeks or months
Start-Up Costs	None	Legal (and other) fees are typically substantial
Ongoing Administrative and Management Fees	85 basis points (0.85%) or less, plus investment management fees	Can be in the range of 250-400 basis points (2.5% to 4% per year)
Tax deduction limits for gifts of cash	60% of adjusted gross income	30% of adjusted gross income
Tax deduction limits for gifts of stock or real property	30% of adjusted gross income	20% of adjusted gross income
Valuation of gifts	Fair market value	Fair market value* for publicly-traded stock, cost basis for all other gifts, including gifts of closely-held stock or real property
Required Grant Distribution	None	Must distribute 5% of net asset value annually
Excise tax on investment income	None	Excise tax on 1.39% of net investment income annually
Privacy	Names of individual donors are not disclosed to the public, and grants can be made anonymously	Must file informational returns, which are available to the general public, disclosing detailed information on grants, investment fees, trustee names, staff salaries, etc.
Administrative Responsibilities	Recommend grants to favorite charitable causes	Manage assets, keep records, select charities, administer grants, file state and federal tax returns, maintain board minutes, etc.

COMPARISON OF OFFERINGS



LOUISE by TIFIN

Sprung from the confluence of wealth management and philanthropy, Louise empowers clients to engage with clients in a digital charitable giving platform.

- Leverage intuitive technology to search and discover giving opportunities with over 1.5 million charities.
- Send grants with just a click inside the app, not through multiple sites and channels.
- Align investments with strongly held values through an intelligent algorithmic based search engine.
- Build a legacy, empower the entire family to be involved and instill the next-generation of heirs to be responsible stewards of family capital.
- Raise money for important causes directly on the platform.

Fidelity

The "Giving account" offered by Fidelity is a popular vehicle for many to start their philanthropic journey. You can fund the Giving Account with cash, appreciated stock or even non-publicly traded assets like private business interests, you can potentially increase your tax savings and give more to the causes you care about most. Fidelity Charitable makes monetizing these assets for charity simple and easy, with many benefits such as:

- Large well known institution with many individuals utilising their donor advised fund which is the largest in the space.
- Founded in 1991 with over 31 years in service, 280,000+ donors and over 357,000+ charities supported.
- Mobile-first smartphone app, allowing you to make grants on the go to your favourite charities.
- No minimums, with a transparent pricing structure of \$100 or 0.6% per year (whichever is greater).



National Philanthropic Trust

NPT is a public charity dedicated to providing philanthropic expertise to donors, foundations and financial institutions, enabling them to realize their philanthropic aspirations.

- Has made more than 492,000 grants totaling \$17.5 billion to charities all over the world.
- Rank among the second largest grantmaking institutions in the United States.
- \$10,000 minimums with a blended fee schedule.
- Quick turn around and setup.

CHARITABLE REMAINDER UNITRUSTS (CRUT)

Other assets can be structured into a Charitable Remainder Unitrust (CRUT) in order to minimize the estate tax obligations.

This allows the donor to have a reliable stream of income, whilst minimizing if not eliminating the tax obligations for capital gains.

This also allows you to donate money to a cause that you feel passionate about and also benefiting from the trust not having to pay capital gains tax when it sells an asset within the confines of the trust due to the tax exempt nature of the charitable trust.