

“Guidelines Using a Donor Advised Fund”

Using a Donor Advised Fund (DAF) is an excellent way to manage and maximize your charitable giving. DAFs offer a structured, tax-efficient method for donating to the causes you care about. Here are some guidelines for using a Donor Advised Fund effectively:

1. **Establish a DAF Account:**

- Open a DAF account with a sponsoring organization, such as a community foundation or financial institution that offers DAF services. Some popular DAF sponsors include Fidelity Charitable, Schwab Charitable, and Vanguard Charitable.

2. **Contribute to Your DAF:**

- Contribute cash, appreciated assets (stocks, real estate, etc.), or other eligible assets to your DAF. These contributions are tax-deductible in the year they are made, subject to IRS guidelines.

3. **Take Advantage of Tax Benefits:**

- Make sure to itemize your deductions when claiming your DAF contributions for a tax deduction. Contributions to your DAF are tax-deductible in the year they are made, which can help reduce your taxable income.

4. **Recommend Grants:**

- Once your funds are in the DAF, you can recommend grants to eligible 501(c)(3) nonprofit organizations. Research and choose the charities you want to support. Some DAF sponsors have online platforms that make this process easy.

5. **Donor Advised Fund Grants:**

- The DAF sponsor will review your grant recommendations to ensure they comply with IRS regulations. As long as your recommended organizations are eligible, the DAF sponsor will make the grants on your behalf.

6. **Maintain Investment Control:**

- Most DAFs allow you to invest your contributions, potentially increasing your giving power over time. Be mindful of the investment options and any fees associated with your DAF account.

7. **Fulfill IRS Regulations:**

- Ensure that you adhere to IRS regulations regarding DAFs. For instance, you cannot use DAF funds for personal gain, such as paying for goods or services you receive directly.

8. **Document and Track:**

- Keep records of your contributions and grant recommendations. Many DAF sponsors provide online tools and statements to help you keep track of your giving history.

9. **Use DAF for Family Giving:**

- You can involve family members in your DAF's giving decisions. This can be a way to teach philanthropy to the next generation and make charitable giving a family affair.

10. **Plan Your Giving Strategy:**

- Develop a charitable giving strategy that aligns with your values and financial goals. Consider making a long-term plan for your DAF to ensure consistent support for the causes you care about.

11. **Be Mindful of Minimums and Fees:**

- Be aware of any minimum contribution requirements and administrative fees associated with your DAF. These can vary depending on the sponsoring organization.

12. **Stay Informed:**

- Keep up-to-date with changes in tax laws and regulations that may impact your DAF and charitable giving strategies.

Using a Donor Advised Fund can simplify and streamline your charitable giving, providing you with flexibility and potential tax advantages. It's a powerful tool for supporting the causes you're passionate about while managing your philanthropic efforts effectively.

Extra information for DAF's from Lori:

What is A Donor Advised Fund?

A Donor-Advised Fund (DAF) is a philanthropic vehicle that allows individuals, families, and organizations to make charitable contributions to a tax-exempt, public charity or DAF sponsor. The donor contributes assets, typically cash, securities, or other types of property, to the DAF, and they receive an immediate tax deduction for the contribution. Once the assets are in the DAF, the donor can recommend grants to specific nonprofit organizations or causes over time. Here are the key features and benefits of DAFs:

Tax Benefits:

When you contribute to a DAF, you receive an immediate tax deduction for the full fair market value of the assets donated. This can potentially lower your taxable income in the year of the contribution.

Flexibility:

Donors can recommend grants from their DAF to qualified nonprofit organizations at their own pace. This allows for strategic and flexible charitable giving, and the ability to support various causes over time.

Investment Growth:

The assets in a DAF can be invested, potentially allowing them to grow over time. The growth can result in more funds available for charitable grants.

Anonymity:

DAFs can provide a level of donor anonymity, as the public charity or DAF sponsor is listed as the donor on grant checks, not the individual or family who originally contributed to the fund.

Administrative Simplicity:

DAF sponsors handle the administrative work, including record-keeping, tax reporting, and compliance, which simplifies the process for donors.

Legacy Planning:

DAFs can be used for legacy planning by involving family members or successors in recommending grants, ensuring a continued impact on charitable causes.

Minimum Contributions:

DAFs often have minimum contribution requirements, but they are typically more accessible than establishing a private foundation.

Eligible Recipients:

Donor-advised funds can make grants to a wide range of qualified 501(c)(3) nonprofit organizations, as long as they meet the DAF sponsor's guidelines.

It's important to note that while donors can recommend grants from their DAF, the DAF sponsor has the final say in approving the grants to ensure they comply with tax laws and the organization's guidelines. DAFs are commonly used for charitable giving, especially by those who want to streamline their philanthropy, take advantage of tax deductions, and maintain flexibility in their giving strategy. Different DAF sponsors may have varying policies and fees, so it's important to research and choose a sponsor that aligns with your philanthropic goals.

The Difference Between A Donor Advised Fund and A Trust

A Donor-Advised Fund (DAF) and a trust are distinct financial and legal structures that serve different purposes and have unique characteristics. Here are the key differences between a Donor-Advised Fund and a trust:

Purpose and Function:

***Donor-Advised Fund (DAF):**

A DAF is a philanthropic vehicle that allows donors to make contributions to a fund established and managed by a sponsoring organization, such as a community foundation or a financial institution. Donors receive an immediate tax deduction for their contributions and can recommend grants to qualified charitable organizations. However, they do not have legal ownership of the assets in the DAF. The sponsoring organization has ultimate control over the fund, but they typically follow the donor's recommendations for grants to eligible charities.

***Trust:**

A trust is a legal entity created to hold, manage, and distribute assets for specific purposes. Trusts can serve a wide range of objectives, including charitable giving, estate planning, asset protection, or providing for beneficiaries. Charitable trusts, such as charitable remainder trusts (CRTs) or charitable lead trusts (CLTs), are specifically designed to support charitable causes while providing income or other benefits to beneficiaries.

Control:

***Donor-Advised Fund (DAF):**

Donors retain advisory control over the funds they contribute to a DAF. While they can recommend grants to charities, the sponsoring organization has legal control over the assets and must ensure that the grants are made to qualified organizations.

***Trust:**

The level of control in a trust depends on the specific type of trust and its terms. In some trusts, the grantor (the person who establishes the trust) may have significant control over asset distribution and trust management during their lifetime. In other cases, the grantor may relinquish control, particularly in irrevocable trusts.

Tax Implications:

***Donor-Advised Fund (DAF):**

Donors receive an immediate tax deduction for their contributions to a DAF. The assets within the DAF grow tax-free, and when grants are made to qualified charities, they are not subject to additional taxation. DAFs are a tax-efficient way to make charitable contributions while potentially maximizing deductions.

***Trust:** Charitable trusts, like CRTs and CLTs, may offer different tax benefits. For example, a charitable remainder trust (CRT) can provide the grantor with an income tax deduction and reduce potential estate tax liability, while a charitable lead trust (CLT) may have different tax implications depending on its structure.

Privacy:

***Donor-Advised Fund (DAF):** DAFs offer a level of privacy because the donor's recommendations for grants are generally not publicly disclosed. The donor's name is not associated with each individual grant made from the DAF.

***Trust:** The level of privacy in a trust depends on its specific terms and the applicable legal requirements. Trusts may have more detailed public disclosure obligations, especially if they are classified as private foundations.

In summary, a Donor-Advised Fund and a trust are distinct vehicles with different purposes and characteristics. DAFs are primarily designed for charitable giving with a focus on immediate tax benefits, while trusts can serve a broader range of purposes, including charitable giving, estate planning, and more. The choice between them depends on your specific financial goals and philanthropic preferences. Consultation with legal and financial professionals is advisable to determine the most suitable option for your individual circumstances.

Using A DAF To Stay Anonymous

A DAF, or Donor-Advised Fund, is a charitable giving vehicle that allows individuals or organizations to make charitable contributions, receive a tax deduction, and then recommend grants from the fund to specific charities or causes. While DAFs can provide some level of anonymity in charitable giving, it's essential to understand that they are not designed for the primary

purpose of ensuring complete anonymity. Here are some key points to consider when using a DAF to maintain a degree of anonymity in your charitable giving:

Donor Anonymity:

When you contribute to a DAF, the DAF sponsor, not the donor, becomes the legal entity that makes the donation to the recipient charity. This can provide some level of anonymity, as the charity typically only knows the DAF sponsor's name and not the original donor's identity.

Public Filings:

Some DAF sponsors are required to report their grants, including the name of the recipient charities, in their annual tax filings. This information may be publicly accessible, depending on the DAF sponsor's disclosure policies and legal requirements.

DAF Sponsor Policies:

Different DAF sponsors have varying policies regarding donor anonymity and disclosure. Some may allow donors to remain completely anonymous, while others may require certain information to be shared with the recipient charities.

Privacy Considerations:

If maintaining anonymity is critical to you, it's essential to carefully review the policies and practices of the DAF sponsor you choose to work with. Some sponsors may offer more privacy options than others.

Consult with Legal or Financial Advisors:

If you have specific concerns about donor privacy and tax implications, it's advisable to consult with legal or financial advisors who specialize in charitable giving and tax planning.

Consider Alternatives:

If you require a higher level of anonymity, you might explore other options for charitable giving, such as creating a private foundation or making anonymous gifts directly to charities that accept them.

It's important to note that the level of anonymity you can achieve with a DAF may vary depending on the specific DAF sponsor and the legal requirements in your jurisdiction. Always consult with professionals and carefully review the policies of the DAF sponsor you choose to ensure your anonymity needs are met.

