

## Donor-Advised Funds

A **Donor-Advised Fund (DAF)** is a philanthropic giving vehicle administered by a sponsoring organization (usually a public charity) that allows individuals, families, or businesses to make charitable contributions, receive an immediate tax deduction, and then recommend grants to charities over time. It has become one of the fastest-growing forms of charitable giving in the United States.

This flexible giving option allows you to recommend grants to Sunbridge while enjoying the simplicity and potential tax benefits associated with charitable giving accounts. **DAFs are growing tremendously, because they make it so easy for individuals to put money in and get the tax advantage right away. But it's important to make sure you release the money; otherwise, it won't help your favorite non-profit!**

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### Core Structure

A DAF operates through three basic steps:

#### 1. Contribution

- A donor contributes cash, securities, or other assets to a sponsoring organization such as:
  - Fidelity Charitable
  - Schwab Charitable
  - National Philanthropic Trust
  - A local community foundation

#### 2. Tax Deduction

- The donor receives a **charitable tax deduction in the year the gift is made**, even though the funds may be granted to nonprofits later.

#### 3. Grant Recommendations

- The donor recommends grants to qualified 501(c)(3) nonprofits over time.
- The sponsoring organization technically controls the funds but typically honors donor recommendations.

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### Key Features

#### 1. Tax Advantages

DAFs provide several tax benefits:

- **Immediate income tax deduction**
- **Capital gains avoidance** if donating appreciated assets (e.g., stocks)
- Ability to “**bunch**” **charitable contributions** in high-income years

Typical deduction limits:

- Cash: up to **60% of adjusted gross income**
  - Appreciated securities: up to **30% of AGI**
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## 2. Investment Growth

Once contributed, assets can be **invested inside the fund**, allowing the balance to grow tax-free until grants are made.

Most sponsoring organizations offer investment pools similar to mutual funds.

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## 3. Flexible Grantmaking

Donors can:

- Recommend grants at any time
- Support multiple charities
- Create a family giving vehicle
- Name successor advisors (children, family members, etc.)

Minimum grants are usually around \$50–\$250, depending on the sponsor.

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## Types of DAF Sponsors

### National Sponsors

Large financial firms operate many DAFs:

- Fidelity Charitable
- Schwab Charitable
- Vanguard Charitable

Characteristics:

- Lower fees
  - Large account base
  - Mostly donor-driven
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### Community Foundations

Characteristics:

- Local expertise
  - Community impact focus
  - Often more relationship-driven
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## Typical Fees

DAFs generally charge:

1. **Administrative fee**
  - Usually **0.60%–1.00% annually**
2. **Investment fees**
  - Based on the underlying investment pools

Community foundations sometimes charge slightly higher fees but provide advisory services.

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## Why Donors Use DAFs

Common motivations include:

- **Simplifying charitable giving**
- Donating **appreciated stock**
- Managing **large one-time liquidity events**
- Creating a **family philanthropy vehicle**
- Reducing administrative burden compared to private foundations

***Leverage your donor-advised fund to make a lasting difference.***