

What Is a Donor Advised Fund (DAF)?

A donor-advised fund (DAF) is a philanthropic giving vehicle that allows individuals to donate assets for charity today, and receive a tax deduction now, while maintaining discretion about when the assets will be granted to charity.

How does a donor-advised fund work?

- An individual or entity makes an irrevocable tax-deductible contribution to a sponsoring non-profit organization, community foundation or financial institution to establish the fund. The individual or entity becomes a donor-advisor to the fund.
- The sponsoring organization allocates the charitable contribution to the donor-advisor's newly established fund, where the assets grow tax free. The donor-advisor can take an immediate tax deduction for their contribution.
- The assets within the fund now **legally belong to the sponsoring organization but the donor-advisor retains advisory privileges over disbursements made from the DAF** in addition to the investment strategy.
- All grants must meet the grantmaking criteria of the sponsoring organization, which has final authority regarding the disbursement of funds.
- However, so long as the recipient organization is a qualified 501(c)(3), and the grant meets all stated requirements, the sponsoring organization will honor the recommendation.
- Once the sponsoring organization approves the recommended disbursement, the grant is made to the qualified charitable organization.

How can you use your donor-advised fund?

- Strategic giving over time.
- The involvement of family in charitable decisions.
- The ability to create a lasting legacy.
- Immediate tax break, distribute funds later.
- Receive an immediate charitable deduction for your gift.

- Consolidate all your charitable giving, if you wish.
- If you do not routinely exceed the standard deduction, you can get over it by bunching donations of stock to charities or a donor-advised fund.