

Donor Advised Funds

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In the last few years Donor Advised Funds (DAFs) have made quite a splash on the non-profit landscape. Although they have been available to individuals for 25 years, they have only recently been seriously adopted as a tool in the financial planning and giving toolbox. When used correctly DAFs are an efficient way to organize one's charitable giving and planning; one's yearly tax planning; as well as one's estate planning. They are seen as a low cost alternative to Private Foundations, which have only been available to those with sufficient funds and patience to jump through the necessary administrative and financial hoops.

DAFs allow you to take an immediate charitable tax deduction when you make an irrevocable donation to the fund. This works because the fund holders, such as Fidelity and Vanguard, have created charitable arms to their companies which allow them to accept donations. Once the money is in the fund, you manage the investment of the dollars through low cost pools and recommend charities to receive donations. This provides greater flexibility in how you give and to whom you give. Before the DAF, on a yearly basis, you might have scrambled to increase your deductions and lower your tax liabilities. With the DAF this is less of a problem. You take the deductions you need immediately and plan your giving more strategically.

What are the downsides? For one, unlike private foundations, there are no required minimum distributions. This requires you to manage the DAF and ensure the dollars end up going to the non-profits for which they are targeted. This can be bad for non-profits since they are possibly receiving fewer total dollars due to the middleman status of these funds.

What else should you know? For those with traditional IRAs, you can specify the DAF as a beneficiary of your required minimum distributions. Second, DAFs fall outside of your will and require you to be explicit to the fund holder about your succession plans for those funds. Otherwise, the financial institution assumes control of your DAF upon your death and adds it to its own charitable coffers. Third, like private foundations, DAFs cannot honor the legally binding pledges of individuals. Fourth, DAFs provide a means to manage highly appreciated assets.

The Stowe Land Trust happily accepts funds from DAFs. We have added a direct link on our [Donor Advised Funds page](#) which has streamlined the process of giving via DAFs. If you require more information, you should consult a financial advisor or go directly to the source at Fidelity, Vanguard, Charles Schwab, or T. Rowe Price.