



The ABCs of a DAF

A Guide to Choosing the
Right Donor-Advised Fund
(DAF) For You

AMERICAN ENDOWMENT FOUNDATION

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5700 Darrow Road, Suite 118
Hudson, OH 44236

aefonline.org
888.440.4233



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For many persons, the desire to support charitable causes and organizations that are important to them is a simple one. They want to provide financial assistance to their favorite causes; to help them grow and watch them prosper. However, the exact means by which to do that may not be as simple of a choice.

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What is a Donor Advised-Fund?

A donor-advised fund (DAF) could be best described as a charitable bank account that provides simple, flexible, and efficient ways to manage charitable giving. The money that goes into a donor-advised fund becomes an irrevocable transfer to a public charity with the specific intent of funding charitable gifts. This public charity serves as the administrator of the DAF.

A donor and their family can:

1. **Enjoy immediate and maximum tax advantages.**
2. **Make donations on a flexible time table through the public charity.**
3. **Build a charitable legacy within their family and among their favorite charities.**
4. **Grow charitable funds that would allow them to earn and donate more money for the explicit purpose of charitable support.**

Why do Donors Choose a Donor-Advised Fund?

When donors and their families are asked why they chose to open a donor-advised fund, they mention one or more of the following:

1. **Want a means to express their unique charitable intentions.**
2. **Convenience of gifting.**
3. **Streamline their giving—keep track of grants, amounts, and giving history.**
4. **Benefit from tax advantages and simplicity over other giving options.**
5. **Want continuing involvement in grant making—at levels right for them.**
6. **Establish a means to educate children and pass along family values.**
7. **Enjoy flexible options to manage the levels of recognition or privacy that they desire.**
8. **Create a lasting legacy.**

The 7 Tips: Choosing the Best Donor- Advised Fund for You

The following is a simple list of questions that a potential donor needs to consider when figuring out what donor-advised fund may be best for them and their interests:

TIP #1 AFFILIATIONS

Is the organization that sponsors a donor-advised fund affiliated with another entity (for-profit or non-profit), or is it independent? How might these affiliations help or hinder the donors' use of a fund now or in the future?

TIP #2 CONTRIBUTIONS

What types of assets are eligible for contribution, e.g. cash, marketable securities, closely held securities, real estate, and life insurance? In some cases, the best opportunity that a donor has to give is through the donation of illiquid assets. Is there a requirement that the contributed asset be immediately liquidated?

TIP #3 INVESTMENTS

What investment choices are available to you? Are contributions pooled (meaning that the dollars donated are pooled with other donors for investment purposes?) Or can the dollars be separately managed in their own investment account? Can your financial advisor play an ongoing role in providing investment services for your donor-advised fund?

TIP #4 GRANT DISTRIBUTIONS

Are there restrictions on grant distributions, i.e. geographic, religious, etc.? Is there a minimum annual distribution requirement that you the donor must give, or a maximum annual limit that restricts how much you want to give away?

TIP #5 SUCCESSION

How flexible are the provisions for succession upon your death? Is involvement limited to you and your spouse? Or as the donor, can you name other successive advisors such as children or other individuals of your choice?

TIP #6 ONLINE ACCESS

Does the program offer the ease of secure online access to your account?



TIP #7 COSTS

Is there a set-up fee or termination fee? What is the annual administrative fee? Are there hidden fees in the fine print, such as minimum account level charges? Does the organization require a certain portion of the fund to be set-aside for its own purposes? Most importantly, will they allow you to transfer the fund in the future to another DAF administrator, or are your funds held permanently by the initial administrator?

Conclusion

Choosing the right donor-advised fund that best suits your charitable interests requires careful thought.

If you have a financial or similar trusted advisor, they may be an ideal source of assistance in leading you down a path that serves your financial and charitable goals.

Thinking through the seven tips before you open a donor-advised fund will give you the insight needed to make your charitable giving as tax-smart, flexible, and enjoyable as possible.



FOR MORE INFORMATION

American Endowment Foundation
5700 Darrow Road, Suite 118
Hudson, Ohio 44236

www.aefonline.org

1-888-440-4233 Toll-free
330-655-7552 Phone
330-656-2063 Fax

AEF's Employer ID Number:
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