



Guide to Better Giving

Using Donor-Advised Funds for
Better Charitable Giving

AMERICAN ENDOWMENT FOUNDATION

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Donating to Charity: Considerations & Concerns

Most donors typically have the following concerns when they think about making a donation to a charity:

- Which charities are most deserving of my help?
- Can the charity use my gift wisely?
- If I make a large gift, will it overwhelm the capacity of the charity to spend it effectively?
- Will the charity spend my gift toward the specific purpose/project that I intended?
- Will I receive the appropriate recognition for my gift from the charity?
- Will I be pursued continuously by the charity to make more donations?
- Will other charities pursue me to donate to their causes?

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.

You as the donor and your family can:

- Enjoy immediate and maximum tax advantages
- Make donations on a flexible time table through the public
- Build a charitable legacy within your family and among your favorite charities and causes
- Grow charitable funds that would allow you to earn and donate more money for the explicit purpose of charitable giving

9 Ways a Donor-Advised Fund Can Make Charitable Giving Better

1. TAX BENEFITS

Contributions are tax-deductible in the year they are made. Because the administrator of a donor-advised fund is a public charity, contributions qualify for:

- Immediate and maximum income tax benefits
- Avoid capital gains on gifts of appreciated property
- Avoid estate taxes
- Investments in a donor-advised fund can grow tax-free
- Reduce alternative minimum tax

2. SEPARATE TAX AND GRANT MAKING DECISIONS

Contributions to the fund are fully deductible in the tax year in which they are made. Donors can realize immediate tax benefits, and avoid year-end pressures by recommending grants on their own timetable.

3. SIMPLICITY AND SPEED

Donors can achieve the satisfaction of creating a lasting legacy and avoid the complexity and cost of a private foundation. As an example, a fund at American Endowment Foundation can be established by completing a simple application and can be set up in as quickly as a day.

4. EASE OF RECORD KEEPING

At American Endowment Foundation (AEF), donors receive a quarterly consolidated statement of distributions. Since donors receive the tax deduction at the time of the contribution, they can eliminate the annoyance of having to track donation receipts from all the charities that they supported during the year.

5. INVESTMENT OPTIONS

It is not uncommon in many donor-advised fund programs that there is a limited number of investment options. However, at AEF, we offer an open investment architecture that works with all financial custodians. We allow and encourage donors to keep their financial advisor involved and continuing to manage the dollars within their donor-advised fund.



6. GRANT MAKING FLEXIBILITY

The donor-advised fund lets donors structure their giving over time, enabling them to plan and leverage the impact of their grants. At AEF, our minimum grant sizes are \$250.

7. LOW COST

The funds at AEF are low cost and have a low administrative burden.

8. CREATION OF A LASTING CHARITABLE LEGACY

Donors typically establish a donor-advised fund to engage family members over successive generations.

9. RECOGNITION OR PRIVACY

Donors can personalize the fund with a family name (e.g., “The Smith Family Fund”) or choose to make the fund anonymous. Donors may want to support a charity without disclosing their identity to the organization. At AEF, they can choose to do this on all their grants or selectively by individual grant.

Conclusion

Donating to charity can provide a great sense of satisfaction to donors. However, the act of giving brings with it considerations & concerns for donors. By understanding how donor-advised funds (DAFs) work, we believe that there are 9 ways that can make the process easier, smarter, and better for donors.



FOR MORE INFORMATION

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