



WHAT CHURCH LEADERS SHOULD KNOW ABOUT DONOR-ADVISED FUNDS

Your congregation may already be receiving contributions from one or more member's donor-advised funds. You are likely to receive more soon. Here's a primer on the funds and their implications for churches.

Donor-advised funds (DAF) are now among the largest repositories of charitable dollars in the United States and soon could account for 10 percent of all individual giving, based on figures from "Giving USA" and the National Philanthropic Trust. According to Forbes, DAFs offer a \$495 billion growth opportunity by 2035. More and more charities have begun to offer their own donor-advised funds, among them hospitals, universities, Rotary International chapters, United Way affiliates, and even churches.

WHAT IS A DONOR-ADVISED FUND?

A donor-advised fund (DAF) is a means of charitable giving that allows donors to manage and streamline all their charitable giving in one

convenient, flexible location. It is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a sponsoring organization. Donor(s) create a donor-advised fund by making an initial contribution to a sponsoring organization, then recommend(s) grants from that fund to the church and/or other selected charities.

Donor(s) can make additional contributions to the fund at any time, and any asset appreciation is retained within the DAF itself for future distribution.

WHY DO CHURCH MEMBERS LIKE TO USE DONOR-ADVISED FUNDS?

A donor-advised fund is a safe and valuable means to meet charitable goals and support the causes and ministries close to the donor's heart. It is an easy way for donor(s) to manage long-term and unusual charitable gifts (e.g., proceeds from the sale of a business, gifts of stock or bonds,

real estate, etc.) where the potential tax benefits are earned immediately, but charitable grants in varying amounts can be spread over years. DAFs are an easier alternative to establishing a private foundation.

Using a DAF in giving plans offers donors flexibility to invest in the long-term initiatives of their church, respond to immediate needs in the wake of a disaster, and support local or global ministries where resources are critically needed. Most DAFs allow donors to give anonymously and set up automatic recurring grants.

A donor-advised fund offers donor(s) a chance to set an example of giving within the family. It gives parents a way to talk to their children about how they give, how much to give and why they give as part of their Christian life and discipline. Older parents can use the DAF to talk about legacy with grown children. DAFs provide an excellent means to involve the whole family in exploring opportunities to give.

HOW CAN THE CHURCH IDENTIFY DAF GIFTS AND HOW ARE THEY DIFFERENT?

When donor(s) make a grant request from their DAF to a church or charity, the sponsoring organization will send the funds, not the individual. Unless the donor(s) request anonymity, the sponsoring organization will most likely list the name of the donor(s) when the funds are sent. The church should send a thank you note to the donor(s) for the gift, but not a tax acknowledgment letter. Donor(s) receive

a tax acknowledgment from the sponsoring organization when a contribution is made to the DAF.

DAFs cannot be used to fulfill pledges.

Contributions to a DAF are irrevocable and the sponsoring organization has legal control over the funds and the donor(s) retains advisory privileges for the distribution and investment of fund. Donor(s) may indicate their intent to make a grant request from their DAF, but the church should not count such an intent as a pledge on the balance sheet.

WHAT VALUE CAN DONOR-ADVISED FUNDS OFFER MY CHURCH?

DAF donors are intentional givers. They care about the causes they support and are careful about making their charitable dollars go far. Many DAFs (like the Foundation's) enable donors to set up recurring grants. This means more regular/predictable income for beneficiaries like your church.

Research shows that generous donors learned to value giving from their families and churches. A study conducted by The Women's Philanthropy Institute (WPI) found that 90 percent of children give to charity and 20 percent are more likely to give when their parents talk to them about giving. Many donors use DAFs to teach the value of giving to their children and families and help them understand the difference their giving will make.