



6 Key Reasons to Use a **Donor-Advised Fund**

Donors Trust



Charitable giving is meant to be a pleasure, not a slog. Writing a few checks a year to your favored groups isn't difficult to manage. But, as the number of groups grows, some people choose to get organized. Donor-advised funds offer donors a way to donate to charity that is easier, more tax-advantaged, and more customizable to the donor's interests and privacy needs than checkbook giving or even than setting up a private foundation.

Could a donor-advised fund benefit your charitable giving? More and more people are saying yes, making donor-advised funds the fastest-growing charitable vehicle of the past few years. Let's examine some of these benefits donors receive from opening a donor-advised account.

1 A donor-advised fund streamlines and simplifies the giving process

With a donor-advised fund, you contribute to your donor-advised account, immediately generate a tax deduction, and then choose the timing of grants to charities you wish to support.

Requesting a distribution from the account is simple. The tedious administrative work of confirming a charity's 501(c)(3) tax status, sending the contribution, and receiving any follow-up correspondence from the charity is all handled by the donor-advised-fund sponsor. Keep track of just one tax receipt—from the donor-advised-fund sponsor—instead of many.

Donor-advised funds also offer the opportunity to easily turn non-cash assets into charitable dollars. Gifts of appreciated stock, closely held stock, or valuable personal property can all fund a donor-advised account, and generally in a tax-advantaged way.

2 Tax benefits that can't be beat

Organizations that offer donor-advised funds are public charities, conferring the same tax benefits you enjoy from giving to any other 501(c)(3) public charity. What are some of those benefits?

- Take a deduction of up to 60% of adjusted gross income (AGI) when contributing cash. With a private foundation, you are limited to 30%.
- For gifts of appreciated stock, appreciated property, or closely held securities, you can deduct 30% of your AGI, compared to 20% for a private foundation.
- Avoid capital-gains taxes when contributing appreciated stocks while taking a deduction of the full value of the stock. You can give 100% of the gain to charity, avoiding the government's cut.
- Take a tax deduction in one year and make your charitable-giving decisions over time. This is valuable for managing the tax consequences of an unexpected end-of-year windfall.

Any donor-advised fund provider can offer the same assortment of tax benefits. The tax advantages, then, are a way to compare donor-advised funds against other charitable vehicles, such as a private foundation, rather than as a way to measure fund providers against each other. When selecting a provider, go beyond the tax element to look at such things as principles and mission.

3 Donor-advised funds offer flexibility on how to craft your legacy plan

Anyone who has gone through the estate-planning process knows how time-consuming and complex it can be. They usually dread the thought of making changes to the plan. Yet well-advised individuals also know estate plans must be reviewed and updated periodically to make sure the plan meets a person's needs at every juncture of life.

Incorporating a donor-advised-fund account as part of an estate plan makes the charitable portion of estate planning a breeze. Instead of naming individual charities as beneficiaries in your estate-planning documents, you can create a donor-advised fund account and name the charity sponsoring the account as the charitable beneficiary of your estate.

Any changes you wish to make to the charitable portion of your estate plan can then be handled simply by memorializing the changes with the sponsoring organization, which can be done without a lawyer or without making modifications to your last will and testament and other testamentary documents, such as trust agreements.

The fund can also serve as the charitable beneficiary for more complex tools such as charitable remainder trusts (CRT), charitable lead trusts (CLT), and even private foundations. All of these tools can work in concert to help you craft your legacy plan.

Your donor-advised fund can help you streamline your charitable legacy with the donor-advised fund acting as your charitable hub. The charitable dollars will all be in one place. That reduces the burden on a successor advisor, or will allow the fund provider to follow your pre-determined donor intent plan.

As with all things tax-related, speak with your tax or estate attorney about what the right solutions are for you. The benefits that a donor-advised account can bring are certainly something to consider as you work through your current and posthumous charitable endeavors.

4 Give as publicly or privately as you'd like

Some people value the recognition that can come from charitable giving. Others are ambivalent to recognition beyond a polite thank you note. Still others prefer to do their giving privately and without any recognition, be it from the grantee or anyone else.

Donor-advised funds offer you any level of privacy you'd like from the receiving organization. That level of privacy can even change grant to grant. A donor can ask the fund provider to share their full name with one favored grantee and keep their identity private from another.

Why do some choose to do their giving privately? As with any charitable decision, each person is different. A common reason is that folks want to stay off mailing lists. Giving privately allows them to avoid the mountain of solicitations that come over time. Others have religious reasons related to the benefits of giving without recognition. Others may be supporting a sensitive or personal cause that could endanger familial or professional harmony.

No matter the reason, the benefit of additional privacy is there when using a donor-advised fund, should additional privacy be needed.

5 Partner with an organization that shares your principles

With more than 1,000 donor-advised-fund providers—or “sponsoring organizations,” as the IRS likes to say—in the United States, you should take time to find the one that best meets your needs and, potentially, aligns with your principles.

There are three types of donor-advised-fund providers: the national funds, often attached to banks or investment firms and adhering to a broad-based charitable mission; community foundations, which focus on a single geographic region; and mission-driven funds, which are organized around some principle, ideology, or cause.

Many givers find their philanthropy tends to center around certain ideas or principles. If that sounds like you, take the time to investigate if certain community foundations or mission-driven funds might better help you focus on your core interests and align with your charitable goals compared to the better-known national providers.

There are two reasons for taking this step of exploring the full landscape of donor-advised-fund providers: understanding and intent. By partnering with a fund provider that shares your interests, you'll gain a community of advisors that understand the causes you care about and can help you identify additional groups that may advance those issues.

Give the way you want to give. That should be the goal of any charitable tool. A donor-advised fund allows you to keep your emphasis on making a positive impact in the world, distraction-free. As you become more strategic in your giving, you will likely find that a tool offering the maximum amount of simplicity with the greatest tax benefits can help you better focus on your charitable goals.

Second, a provider that shares your charitable interests or aligns with your principles may be in a better position to carry out your donor intent when you are gone. Some fund providers lose focus and drift from honoring account-holders' wishes regarding how their charitable dollars must be spent.

Do your research. It's usually a positive sign when a fund provider asks applicants to write down their charitable mission statement to guide gifts from the fund. This simple mission statement safeguards a donor's legacy by erasing any doubt about how a donor would want his or her charitable dollars spent.

Make sure to ask if the provider you are considering will support your favorite charities. Fund providers have the right to say no to grant requests when grant requests fall outside a provider's stated mission or guidelines. Oftentimes, those guidelines work in your favor, preventing future generations from abandoning your charitable goals but, in a politically divided world, some grantees fall out of favor and may get rejected. Don't get caught off-guard.

What really matters, though, is that—upon your death—you trust that your donor-advised-fund provider will carry out your charitable wishes and safeguard your legacy. That's perhaps the primary thing to consider as you shop around for the fund that best fits your needs and aligns with your values.

6 Give more than you otherwise would

Many people find that a funny thing happens once they begin using a donor-advised fund to manage their giving: They begin to give more. There are three main reasons for this.

First, as we've already mentioned, donors can contribute highly appreciated assets into the account. Rather than give out of cash reserves, you may have more to give when giving from stocks, privately held securities, real estate, or cryptocurrency. These are both tax-smart and have the benefit of letting you donate more than you otherwise might.

Second, donors have the option to invest the charitable dollars in their account. This means these dollars grow tax-free, with the gains credited back to the account. That leads to more dollars to give away over time, allowing you to make an even greater charitable impact later.

Finally, many donors report they give more simply because the donor-advised fund gives them a system for their giving. When needs arise, money is already in the account and ready to go. Year-end statements make it easy to understand the full picture of one's giving, see patterns, and become more strategic.

A Principled Alternative

DonorsTrust is proud to be the community foundation for the liberty movement.

Our marquee donor-advised fund and other targeted programs focus on advancing the ideas of limited government, personal responsibility, and free enterprise. While our donor-advised fund makes giving simpler, more private, and more tax-advantaged, we have a unique commitment to protecting donor intent and promoting private philanthropy as a means of addressing public concerns.

Our boutique approach and our deep understanding of the liberty movement allows us to be a resource to donors who share a common set of beliefs and principles. Since our founding in 1999, we have stewarded more than \$1.6 billion in charitable gifts from liberty-minded donors.

Getting Started

Opening a donor-advised account at DonorsTrust is a simple process that will set you on a path to more strategic and tax-advantaged giving immediately. Call us at (703) 535-3563 to discuss how DonorsTrust could benefit your personal situation. You can also learn more and request additional information from our website at www.donorstrust.org.

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