

A photograph of a middle-aged man with short, light-colored hair, wearing red-rimmed glasses and a blue V-neck sweater over a light blue collared shirt. He is smiling broadly and has his arms crossed. He is standing in front of a white building with horizontal siding. The background is slightly blurred, showing some greenery.

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

DonorsTrust



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 in 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 50% 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.
- Grow charitable dollars tax-free by investing some or all the funds in your donor-advised account. Use the growth to make an even greater charitable impact later.
- 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.

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3 Donor-advised funds offer flexibility on how you make grants and plan your estate

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 that estate plans must be reviewed and updated periodically to make sure they continue to meet their needs and life circumstances.

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 housing the account as your estate's charitable beneficiary.

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. No need to involve a lawyer or make modifications of your last will and testament and other testamentary documents, such as trust agreements.

4 Donor-advised funds conveniently complement other charitable vehicles

While the tax benefits of a donor-advised account can make it appealing in and of itself, those same benefits coupled with the ease of use make it a strong complement to other tools such as charitable remainder trusts (CRT), charitable lead trusts (CLT), and even private foundations.

A donor-advised fund allows you to streamline charitable giving that is part of your estate plan by offering a single destination for bequest funds. A donor-advised account can also serve as the charitable beneficiary of a CRT or CLT. The charitable funds put into the donor-advised account can then be directed out, either by a successor adviser or a pre-determined donor intent plan, to any number of charitable organizations over many years.

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 broach as you work through your current and posthumous charitable endeavors.

5 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 other.

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 it be needed.

6 Partner with an organization that shares your principles

With more than 1,000 donor-advised fund providers in the United States, you should take the time to find the one that meets your needs.

There are three types of donor-advised fund providers: the national funds, often attached to banks or investment firms and holding 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.

A donor-advised fund allows you to keep your emphasis on making a positive impact in the world, distraction-free.

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 help you focus on your core interests more than the national providers.

There are two reasons for taking this step of exploring the full landscape: understanding and intent. By matching up with a fund provider that shares your interests, you'll gain a partner that understands the causes you care about and can help you identify additional groups that may advance those issues. Second, a provider that shares your interests or aligns with your principles may be in a better position to carry out your donor intent after you are gone.

The DonorsTrust Story

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

Our marque 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 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.

DonorsTrust

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