



DONOR-ADVISED FUNDS

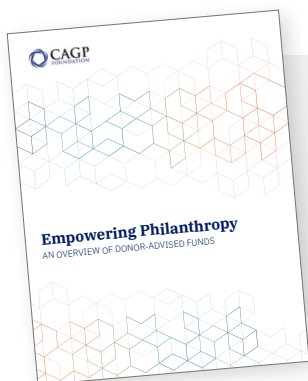
A RESOURCE FOR DONORS



DONOR-ADVISED FUNDS

Resource for Donors

This resource is one in a set of four documents providing information on donor-advised funds to charities, donors, financial professionals, and DAF foundations. This particular document aims to provide information and guidance to donors and those considering the use of a donor-advised fund for charitable giving. The complete set of resources is a product of CAGP's DAF Working Group, which is made up of practitioners, fundraisers, legal experts and researchers.



For a deeper dive, please see: [Empowering Philanthropy: An Overview of Donor-Advised Funds](#)

Definition and Summary

A donor-advised fund (DAF) is a fund established at a registered charity on behalf of an individual, multiple donors, a group, association or business. It allows donors to make a charitable gift, receive an immediate tax receipt, and recommend grants to specific charities over time.

DAFs are a simple and convenient vehicle for strategic charitable giving, allowing donors to centralize their donations and plan distributions to one or several registered charities for an extended period. DAFs are experiencing exponential growth, so it's important that each participant group understand their roles and responsibilities, and those of the other parties.

A GROWING TREND

A growing number of Canadians are contributing to DAFs, resulting in at least 20,000 Canadian charities benefitting from these grants every year – in 2023 to the tune of \$1.4 billion. Here is some information for donors who are considering giving through this vehicle.

Who Should Consider a DAF?

A DAF may be a good fit for donors who:

- > Want to simplify their charitable giving.
- > Are experiencing a high-income year or liquidity event and want to give in a tax-efficient way.
- > Want to involve family members in philanthropic planning and granting.
- > Prefer to make a significant donation now, but decide later which causes to support.
- > Are planning a philanthropic legacy through their estate.

Why Consider a DAF?

A DAF offers a number of advantages to donors. They can:

- > Receive an immediate charitable tax receipt in the year of their donation.
- > Choose from a variety of funding options, including cash, publicly traded securities, life insurance proceeds, and in some cases, private shares or cryptocurrency.
- > Consolidate their giving and benefit from regular reporting and minimal administrative and governance responsibilities.

- > Recommend grants over time to any registered Canadian charity or qualified donee.
- > Invest undistributed funds and grow the DAF assets and giving over time.
- > Establish a fund in their family's name and engage children and grandchildren in long term philanthropic goals.
- > Maintain greater privacy compared to operating a private foundation.

When to Consider Establishing a DAF

A donor might want to set up a DAF during situations such as:

- > A liquidity event – the sale of a business, exercise of stock options, or when receiving an inheritance.
- > Near year-end, to support tax planning objectives.
- > To streamline or consolidate charitable activities.
- > As part of developing or implementing an estate or legacy plan.
- > When setting up a charitable donation program for employees or member or members of an organization.

DAF FOUNDATIONS

DAFs can be opened through several types of organizations. The three most popular are: community foundations, independent foundations and financial institution foundations.



Community Foundations

- > Geographically based organizations with an understanding and extensive knowledge of local and regional needs.
- > Often serving donors looking to support local causes and build lasting community impact.
- > Offer broad relationship-based support for grant making.



Independent Foundations

- > Established primarily to specialize in managing DAFs on behalf of individuals, often referred to them by financial professionals.
- > Meet the needs of a wide range of donors, often referred to them by third parties.
- > Provide flexible investment options and effective grant making support.



Financial Institution Foundations

- > Offered through financial professionals networks associated with major financial and investment firms.
- > Usually integrated with an existing wealth management relationship.
- > Investment options vary from basic (single fund) to a range of in-house funds.



CHOOSING A DAF PROVIDER

In a complex and regulated financial landscape, full disclosure, ethical conduct, and ongoing professional development is important.

When selecting a DAF provider, donors should keep the following in mind:

Minimum Contribution: Some providers have no minimum requirement, while others may require an initial gift of a set amount to establish and maintain a DAF.

Fees: Administrative and investment fees are deducted from the DAF – not charged to the donor – and can vary from foundation to foundation.

Fund Type: Most DAFs are spend-down funds, though a few providers allow for the establishment of endowment funds.

Investment Flexibility: Options differ widely, with more flexibility generally offered to major donors. Impact investing is available at major community foundations and a few select foundations.

Granting Requirements: Some foundations require annual grants of at least 5% of assets; others do not impose a minimum. A number of foundations stipulate the minimum size of a single grant.

Support Services: The level of educational, advisory, and donor support varies from foundation to foundation. It's important for donors to evaluate the services offered, and the associated fees, to ensure a good fit.



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For a full list of the DAF working group members, please see [Empowering Philanthropy: An Overview of Donor-advised funds](#)