

Introducing the Donor-Advised Fund

A Donor-Advised Fund (DAF) is a relatively simple option that appeals to many socially conscious investors. As with any opportunity, helping a client understand how a DAF can work for him or her starts with defining the client's objectives.

BEGIN WITH A CONVERSATION

For many people, investing and charitable giving exist in separate worlds. As a result, they might never consider discussing their charitable goals with a financial professional. That's why you need to start the conversation by asking a few simple questions:

- What are you passionate about?
- What changes do you want to see in your lifetime?
- Is your faith important to you?
- Are there charitable causes you currently support?
- Why do those causes move you?

By asking questions like these, you not only gather information, but you also show the client that you are interested in his or her charitable ambitions and position yourself to suggest a vehicle for achieving those ambitions.

SHARE THE BENEFITS

As you introduce DAFs to your client, keep things simple, focusing on these key points:

- **A DAF is straightforward:** A client and financial professional work with a chosen nonprofit to create a DAF for the client. Assets are then irrevocably given to the nonprofit, deposited into the DAF and invested. Proceeds from the investment are distributed as grants to nonprofit organizations.
- **A DAF takes away administrative burdens:** Because the assets that go into a DAF are no longer owned by the donor, he or she is not responsible for administrative matters such as executing grant distributions, record-keeping and tax reporting.
- **A DAF allows for a voice in giving:** Even though the assets in the DAF are no longer owned by the donor, he or she can make recommendations about which nonprofits receive grants from the DAF.
- **A DAF can create a family giving legacy:** The ability to make grant recommendations can be shared with and passed on to family members.
- **A DAF delivers tax benefits:** DAFs can help donors avoid capital gains taxes and receive immediate tax deductions.
- **A DAF delivers for social good.** Eighty-eight percent of investors surveyed by The Global Investing Network said DAFs met or exceeded their financial-performance expectations.

BALANCE IMPACT WITH TAX BENEFITS

In the past, you might have made your strongest DAF appeal based on tax advantages. However, in recent years, surveyed investors have said that, while tax deductions and estate tax impact matter to them, they care even more about the making a difference. DAFs deliver on both counts, and they can be especially helpful when a client anticipates a major liquidity event, faces capital gains on appreciated assets and wants to create a legacy of giving.

REMOVE THE BARRIERS

Some clients will be intimidated by DAFs, assuming that they're only for the extremely wealthy or for people accustomed to complex financial transactions. But DAFs can be established with relatively low investments, and they actually simplify charitable giving.

Working with our partners at Renaissance Charitable Foundation (RCF), a financial professional can help a client put a DAF into operation in a matter of weeks. From then on, RCF handles tax reporting, gift documentation and distribution, and more, allowing the client to focus on making a difference with their wealth.