

Introducing the Donor-Advised Fund

Understanding donor-advised funds is one thing; helping a particular client recognize how a donor-advised fund can help him or her reach social-impact goals is another. Fortunately, donor-advised funds are relatively simple options with attributes that resonate with socially conscious investors.

However, that doesn't mean you simply need to explain how a donor-advised fund works and your client will sign on the dotted line. As with any investment opportunity, helping your client understand the opportunity starts with understanding your client's motivations and objectives.

BEGIN WITH A CONVERSATION

For many people, investing and charitable giving exist in separate worlds. At best, many people think of those worlds as loosely connected: If they invest well enough, they might someday be able to contribute toward making the world a better place. As a result of this kind of thinking, many people never consider discussing their charitable ambitions with a financial advisor.

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 causes you currently support?
- Why do those causes move you?

By asking questions like these, you not only gather information, but you also help the client see you as someone who is interested in their larger ambitions. And once you've had this conversation, you can suggest a vehicle for reaching those social-impact goals.

SHARE THE BENEFITS

As you introduce the donor-advised fund concept, keep things simple – after all, that's one of the key appeals of the donor-advised fund: It's pretty darned simple. Here are some key points to share with the client:

- **A donor-advised fund is straightforward:** A client and financial advisor work with a chosen nonprofit to create a donor-advised fund for the client. Assets are then deposited into the donor-advised fund and invested. Proceeds from the investment are distributed as grants to nonprofit organizations.

- **A donor-advised fund takes away administrative burdens:** Because the assets that go into a donor-advised fund 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 donor-advised fund allows for a voice in giving:** Even though the assets in the donor-advised fund are no longer owned by the donor, he or she can make recommendations about which nonprofits receive grants from the donor-advised fund.
- **A donor-advised fund can create a family giving legacy:** The ability to make grantee recommendations can be shared with and passed on to family members.
- **A donor-advised fund delivers tax benefits:** donor-advised funds can help donors avoid capital gains taxes and receive immediate tax deductions.
- **A donor-advised fund delivers for social good.** The Global Investing Network reports that 88% of survey respondents said donor-advised funds met or exceeded their financial-performance expectations.

BALANCE IMPACT WITH TAX BENEFITS

In the past, you might have made your strongest donor-advised fund appeal based on the tax advantages donor-advised funds deliver. However, in recent years, surveyed investors have said that, while tax deductions and estate tax impact continue to be important to them, the desire to make a difference is even more important.

With that in mind, be sure that you help your client see that, with a donor-advised fund, he or she doesn't have to choose between impact and tax breaks. donor-advised funds 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

In many cases, when you talk to clients about options like donor-advised funds, they immediately become intimidated, worrying that those kinds of vehicles are only for the extremely wealthy or for people with the time to manage added paperwork and such.

But a donor-advised fund actually simplified clients' giving. Working with our partners at Ren, a financial advisor can help a client set up a donor-advised fund and put it into operation in a matter of weeks. And, from then on, the client's load is actually reduced: Ren handles tax reporting, gift documentation and distribution, and more. This allows clients to focus on making a difference with the wealth they've earned.