What Financial Advisors Need to Know About the One Big Beautiful Bill Act (OBBBA) and Donor-Advised Funds (DAFs)

What's in the law: OBBBA (passed July 4, 2025)

Permanently raises the federal estate and gift tax exemption to $15 million per individual (or $30 million per couple), indexed for inflation, starting January 1, 2026.

Maintains current charitable deduction rules:

- Up to 60% of AGI deductible for cash gifts to public charities (including DAFs)
- Up to 30% of AGI for appreciated assets

Slight increase to the standard deduction in 2025

- Single filer: $15,750
- Married filing jointly: $31,500

Why the standard deduction still matters

While the **standard deduction rose slightly** under OBBBA, it remains relatively high — meaning some clients may not cross the threshold to itemize.

For **clients** on the margin or **looking to optimize deductions:**

- Consider bunching several years of charitable gifts into 2025
- Use a Donor Advised Fund (DAF) to take one large deduction this year and grant over time

> **Example:**
> A couple planning to give $10K per year might not exceed the $31,500 threshold annually. But a $30K contribution to a DAF in 2025 could make itemizing worthwhile and capture the deduction.

The 0.5% AGI floor for charitable deductions

Starting in 2026, donors won't be able to deduct the first 0.5% of their income for charitable gifts in the year they make them.

For clients with DAFs:

- This small reduction happens before the normal deduction limits.
- They don't lose the deduction forever — they can carry it forward for up to five years.

Action:

Open or add to your DAF before the end of 2025 to secure the full deduction and support charities on your own timeline.

Why 2025 still matters — Even with 2026's higher estate exemption

2026 brings a higher estate exemption, but 2025 is a known, stable year with favorable deduction rules and no AGI floors or surprises.

Clients with appreciated assets, liquidity events, or high income should consider acting now to:

- Lock in asset values outside their estate
- Maximize current-year charitable deductions
- Avoid potential limits or deduction changes in future years

A DAF is a powerful tool to:

- Take a large deduction in 2025
- Maintain flexibility in future grantmaking
- Streamline charitable planning alongside estate and tax strategies

Talking points for advisors

"A DAF lets your client take the deduction now, even if you're not ready to decide where to give."

"Even with the higher estate exemption next year, removing future appreciation from the estate is still smart."

"Clients who gave strategically in 2025 will be ahead with the new deduction floor"

"A DAF remains a powerful tool to reduce tax burden and establish a legacy."