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The Tax Advisor's Guide to Leveraging Donor-Advised Funds

Tax advisors are often the most trusted source of guidance when it comes to managing a client's financial strategies. With nearly $356B in Donor-Advised Funds and 3.56M accounts – many of your clients are likely interested in exploring this tax-advantaged solution.

A Donor-Advised Fund is a powerful tool for clients who are charitably inclined and want to maximize their tax benefits. It acts like an investment account specifically for charitable giving, allowing contributions to grow tax-free while offering immediate tax benefits.

This makes it an ideal solution for clients looking to optimize their charitable impact while managing tax exposure.

How Donor-Advised Funds Work:

Contribution

You contribute cash, securities, or other assets to a DAF, eligible for an immediate tax deduction.

Investment

The funds you contribute can be invested, growing tax-free over time.

Granting

Over time, you can recommend grants to IRS qualified public charities based on the causes you care about.

Why are Donor-Advised Funds so popular?

- **Immediate Tax Deduction:**
  Take an immediate tax deduction the year of the contribution with the freedom to grant over years to come.

- **Tax-Free Growth:**
  The assets in the DAF grow tax-free, allowing for greater impact when the funds are distributed to charities.

- **Reduced Taxable Income & Avoiding Capital Gains:**
  Contributions of appreciated stock or complex assets, to a DAF help clients avoid capital gains taxes, while also reducing their taxable income.

- **Streamlined Charitable Giving:**
  DAFs streamline the giving process by consolidating record keeping — no more writing checks, tracking receipts, or managing follow-up from multiple charities.

7 Most Common Scenarios for Those Considering a Donor-Advised Funds

Clients who...

- Are already giving to charity and looking to simplify record keeping
- Wish to give anonymously
- Want a current-year tax deduction along with the ability to give over time as part of a tax strategy.
- Are looking to diversify concentrated stock positions
- Are selling a business or receiving an inheritance
- Are in the process of estate planning
- Are approaching retirement
- Want to create a philanthropic legacy

How to Approach DAFs with a Client Nearing Retirement:

Final Year of Employment:

Encourage clients to make a large gift in their final working year to offset AGI. The donation grows tax-free and can be distributed over time.

Post-Retirement:

Clients can continue contributing appreciated stock or assets instead of cash, allowing them to avoid capital gains tax while maintaining a tax-efficient charitable strategy.

What Types of Assets Can Be Contributed to a DAF?

Private Business Interests:

Example: Shares of a family-owned business or startup.

Artwork and Collectibles:

Example: A valuable painting or rare collectible.

Real Estate:

Example: A vacation home or commercial property.

Life Insurance Policies:

Example: Transferring ownership of a paid-up policy.

Retirement Assets:

Example: Retirement account balances as part of an estate plan.

Cash:

Example: Currently allows the highest charitable deduction in single tax year.

Appreciated securities:

Example: Allows charitable tax deduction and avoidance of capital gain.

Join the Movement

Let’s make philanthropy work the way you and your clients want it to.

Supporting over $200B in charitable assets, Ren is America’s premier provider of philanthropic technology and managed services. To learn more about how we can serve you and your clients, visit us **reninc.com**.