



Donor Advised Funds:

A Streamlined, Tax-Efficient Method for Charitable Donations

As Giving Tuesday approaches on November 28th, now is the perfect moment to delve into the world of Donor Advised Funds (DAFs) —a powerful way to maximize your charitable impact.

To shed light on DAFs, we reached out to [Blake Rohde](#), VP a strategic resource at TIFIN Wealth, to provide insights on what DAFs are, their advantages, and how to decide whether a DAF is right for you.

What Is a Donor Advised Fund and How Does It Work?

A Donor Advised Fund (DAF) is a philanthropic vehicle that allows individuals, families, or organizations to:

- Contribute a variety of assets—cash, stocks, or securities—into a fund
- Receive an immediate tax deduction
- Express their wishes for fund monies to direct to qualified charities or specific sectors

Rather than being directly managed by the individual or family, the DAF is managed by a third-party sponsoring organization, such as a financial institution or community foundation.

What Are the Tax Advantages of a DAF?

The popularity of Donor Advised Funds continues to rise, given the following tax advantages:

- **Receive a tax break in the year you contribute:** Donors receive an immediate tax write-off for the amount of their pledged contributions—[worth up to 30 to 60 percent of their adjusted gross income](#)—even if the funds are distributed to charities in the future.
- **Avoid capital gains tax:** By donating long-term appreciated assets like stocks, donors can avoid capital gains tax. This move can result in significant tax savings, considering the top capital gains tax rate (as of 2023) is [20%](#).
- **Go beyond standard deductions:** By “bunching” your charitable contributions into a single tax year, DAFs potentially allow donors to exceed the standard deduction of \$13,850 for individuals, \$20,800 for heads of household, and \$27,700 for married couples (the 2023 standard deduction levels). By itemizing the full donation amounts, contributors can have greater tax savings.

What Other Reasons Might Someone Give From a DAF?

Beyond tax incentives, you might also consider using a DAF for charitable giving to:

- **Simplify your giving:** DAFs provide a centralized platform for managing and tracking charitable donations, making it easier to organize and streamline giving.
- **Involve your family:** DAFs can involve multiple generations of a family in philanthropy, and instill a tradition of philanthropic giving.
- **Anonymize your gifts:** Some donors prefer the anonymity provided by DAFs when making charitable contributions.
- **Strategize your giving:** DAFs enable donors to take a deliberate and planned approach to their charitable giving, allowing them to research and select organizations to support over time.

Additional Factors to Consider

While DAFs offer many benefits, they may not be ideal for every philanthropist. Some DAF drawbacks include:

- **Minimum contributions:** Some DAF sponsoring organizations require a contribution of at least [\\$25,000](#) or more.
- **Annual costs:** All DAFs come with administrative and investment fees—typically [1%](#) of assets under management.
- **Restrictions:** Certain types of assets cannot be included in a DAF—real estate, personal property, and private company stock, for instance.
- **Less individual control than private foundations:** A DAF is a separate account within a sponsoring organization. In contrast, a private foundation is a separate legal entity with its own board of directors and with more autonomy over investments and grant-making.

Are DAFs Only for High Net Worth Individuals?

DAFs are not limited to high net worth individuals; they can be used by people at various levels of wealth. While some DAFs have minimum initial contributions, they are generally accessible to a wide range of donors. There are sponsors, like TIFIN Give, that offer a DAF platform with no account minimums or minimum fees, making it more accessible to donors from all walks of life.

Involve Family Members in Philanthropic Endeavors

With DAFs, families can work together to:

- **Establish a philanthropic strategy** and hold family meetings to discuss values, priorities, and causes they care about.
- **Create a mission statement** for their giving.
- **Decide upon grant recommendations** as a group.
- **Set guidelines for fund distribution** to ensure their charitable goals are met.

Plan Your Giving Tuesday Contributions Today

To plan contributions around events like Giving Tuesday, donors can pre-fund their DAF accounts with the intention of distributing the funds on the designated day. This allows donors to take advantage of the tax benefits associated with the contribution, while also participating in this popular philanthropic event. DAFs offer flexibility in timing grant distributions, making it easy to align with specific giving days, events, or seasons—such as around the holidays and end of year.

Work with Your Wealth Advisor to Determine Contributions and Allocations

Whether it's for Giving Tuesday or other charitable giving opportunity, your wealth advisor can play a crucial role in guiding you on your contributions and allocations. An advisor can help you understand the tax implications of your giving, advise on the best assets to contribute, provide insights on investment strategies for the DAF and even manage the fund's assets on your behalf. As part of an all-encompassing financial plan, wealth advisors can help you create have a comprehensive philanthropic plan that's aligned with your financial goals.

[Ask me about Donor Advised Funds today to make the most of your charitable giving.](#)

Blake Rohde and TIFIN Wealth are not affiliated with Wealthcare Advisor Partners or LPL Financial

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Wealthcare Advisory Partners, LLC, a registered investment advisor and separate entity from LPL Financial.

Wealthcare Advisory Partners LLC (Wealthcare) is an investment advisors registered with the SEC under the Investment Advisors Act of 1940. Additional Important Disclosures may be found in the Wealthcare Advisory Partners LLC ADV Part 2A. This communication is for informational purposes only and is not to be considered advice or a recommendation of any specific investment product or strategy. Views and opinions are subject to change at any time based on market and other conditions.

©2023 Wealthcare Advisory Partners LLC. All Rights Reserved.