Donor-Advised Funds 101

A practical primer for financial advisors and wealth managers

Donor-Advised Funds ('DAFs') are one of Canada's fastest-growing philanthropic vehicles and, increasingly, one of the questions your clients are bringing to you first. Karma & Cents created this primer to give you a clear, practical handle on how DAFs work, when they belong in a client conversation, and how partnering with a DAF provider like Place2Give Foundation lets you deliver a tax-efficient, values-aligned giving strategy without giving up your client's assets or the relationship.

What Is a DAF?

A DAF is a dedicated charitable account managed by a Foundation, providing a flexible way for donors to plan their giving. Think of it as a dedicated, tax-advantaged account for giving - one that lets your clients separate *the decision of when to give, from the decision of where the money goes.*

For financial advisors, the key distinction is structural: the charitable assets move into a fund at the DAF provider (a registered public foundation), while your client's investable assets stay right where they are, under your management.

- **Structure & Oversight:** A DAF is established through a Canada Revenue Agency registered charity, such as Place2Give, a community foundation, or a financial institution's charitable arm. Your client remains the named fund advisor, recommending grants over time; while you remain their financial advisor.
- **Immediate Tax Benefits:** Donors contribute cash, securities, or complex assets to their fund and receive an immediate tax receipt from the foundation.
- **Growth & Granting:** Contributed assets grow tax-free within the fund. Your client can separate the timing of their tax tax deduction from their granting choices, recommending grants to registered charities whenever they are ready.
- **Investment Strategy:** The Investment Policy Statement is drafted by the foundation, however, in some cases the Donor's philanthropy can be aligned with their investment objectives and risk tolerance.

DAFs by the Numbers

DAFs are growing rapidly in Canada. DAF assets represent roughly ***11%*** of all philanthropic dollars under management in Canada.

$3.33 B Donations	$2.00 B Grants Out	$17.30 B DAF Assets	205 Foundations	+75k DAFs

Source: WellFunded.io

Which of Your Clients Are DAF Candidates?

Recognising these 'ideal referral moments' helps you spot a DAF conversation before a competing advisor does.



- **Clients Facing a Liquidity Event:** A business sale, high-income year, or major asset liquidation where a large charitable contribution can offset the tax hit.
- **Families Building a Legacy:** Clients who want to involve children or grandchildren in giving decisions, or name a successor advisor so the fund continues after their lifetime.
- **Clients Who Aren't Ready to Decide Yet:** Clients who want the tax receipt and the deduction now, but need time to choose specific causes.
- **Clients in Estate & Retirement Planning:** Clients integrating charitable giving into a broader estate plan, especially those donating appreciated securities to offset capital gains.

Why do Donors Use DAFs?

Donors choose DAFs because they offer many of the advantages of a private foundation without the legal, financial, or administrative burdens. For your clients, DAFs offer:

Anonymity DAFs protect account holders' privacy because the overarching foundation - not the individual donor - is the registered entity with the CRA.	**Multi-Cause Simplicity** The foundation handles all grant processing, verification, and administrative checks for each recipient charity a donor selects.
Strategic Timing Your clients can contribute during a high-income or liquidity event anytime to optimize tax efficiency, taking time afterward to plan where their gifts will make the most impact.	**Non-Cash Giving Options** DAFs make it easy for your clients to contribute complex assets like publicly traded securities rather than relying strictly on cash donations.
Family Guidance DAFs allow families to involve multiple generations in strategic giving. They can also have friends and families contribute to their funds at any time.	**Foundation Support** Foundations, like Place2Give, also provide philanthropic advising and research to ensure your client's giving is informed, not just generous.



Myth #1

DAF donations means less assets under management.



Fact

DAFs prevent "referral leakage" by locking in client loyalty. Data shows that when clients move philanthropic capital to a competitor, they are more likely to migrate their personal and corporate investment accounts too.



Myth #2
DAF's are just a tax tool.



Fact
DAFs are long term philanthropic vehicles. Donors also used DAF's as legacy vehicles, frequently designating successor advisors to continue their giving long after their lifetime.

Questions to Ask When Choosing a DAF Provider Partner

When a client asks you about philanthropic planning and DAFs, you need to know what options are out there. Here are the key questions you should consider when looking for referral partners:



Support Services: Will the provider work directly with you as the advisor of record, offering donor advising, charity research, or family engagement support you can bring back to your client?



Granting Flexibility & Restrictions: Does the foundation support flexible recurring grants, flow-through versus endowed funds, or complex giving needs (e.g., Non-Qualified Donees, RCAAA, etc.)?



Granting Guidelines: What are the minimum/maximum payouts and annual distribution timelines? Are there any geographic or cause based restrictions on grants?



Fund Structure: Is your client's goal to build a long-term endowed fund, or a spend-down fund for active granting?



Contribution & Fees: What is the minimum amount required to open the fund, and what are the ongoing administrative fees? How are fees structures between the advisor and foundation?

Advisor → DAF Provider → Charity

How the How the Relationship Works

Bringing in a DAF provider doesn't mean stepping back from the relationship - ***it means adding a specialist to your team***.

- **You focus on what you do best.**
  The provider handles all the charitable mechanics, letting you focus on portfolio management.
- **You stay in the loop.**
  As advisor, providers like Place2Give will keep you informed so you can continue the conversation as their giving evolves.
- **You stay the advisor.**
  Your client's investment portfolio and overall financial plan remain under your management.



Myth #3
Recommending a DAF means losing your client relationship.



Fact
You maintain management of your client's wealth portfolio and the core advisory relationship. A DAF only holds the specific assets your client sets aside for charitable giving.