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New Report Identifies Key Factors that Influence How Financial Advisors Recommend DAFs

The Donor Advised Fund Research Collaborative (DAFRC) has released Financial Planning in the Age of Donor Advised Funds, the first large-scale study examining how, when, and why financial advisors incorporate donor advised funds (DAFs) into financial planning.

The purpose of the DAFRC and this report is to provide empirical research that enhances the public understanding of DAFs. Dan Heist of Brigham Young University and co-founder of the DAFRC explained the importance of this study: “As DAFs continue to expand in scale and influence within the charitable landscape, financial advisors play an increasingly important role in how DAFs are established, funded, and invested.”

Financial advisors are uniquely positioned to assist clients with their charitable decisions, including how they give to charitable organizations. Expanding DAF research to include financial advisors as key stakeholders aims to deepen public understanding of DAFs in contexts beyond the nonprofit sector.

The new report draws on six focus groups and a national survey of 669 financial advisors to highlight current practices, motivations, and opportunities for strengthening charitable advising, especially regarding the use of DAFs. The study found that **charitable planning is a common practice,** as three-quarters (75%) of financial advisors report engaging clients in moderate to substantial discussions about charitable giving.

“Our focus groups with successful financial advisors from across the U.S. revealed that financial advisors have conversations about charitable planning proactively, early, and often with all of their clients,” shared Erinn Andrews, Founder & CEO of GiveTeam, who led many of the focus group sessions. “This consistent practice of authentically engaging clients around their philanthropic objectives sets them apart from their peers. This research shows that financial advisors have a real opportunity to initiate charitable conversations early and often during their client relationships.”

The report also shows that **DAFs are a preferred charitable planning tool,** the second most commonly recommended giving approach after direct giving. Thirty-five percent of financial advisors in the study recommend DAFs most of the time or always, and 21% recommend DAFs about half of the time.

“This research indicates that DAFs can be a core tool for financial advisors to facilitate effective philanthropy for their clients in a tax-efficient way,” shared Benjamin Cummings of Utah Valley

University. “Financial advisors are recognizing that the features of DAFs are increasingly attractive in accomplishing their clients’ charitable goals in a way that is also mindful of their investment objectives and legacy goals.”

Advisor recommendations of DAFs center on client goals, according to the report, as 87% of financial advisors report that accomplishing client goals is very or extremely important. Supporting client values is the next biggest motivation, as reported by 75% of financial advisors. The report shows that **practical DAF features drive advisor recommendations.** The primary reasons for financial advisors to recommend DAFs include tax benefits (83%), flexible timing of giving (69%), client convenience (69%), and charitable estate planning objectives (63%).

The research found that **client concerns about DAFs focus on control and complexity.** Financial advisors report the loss of control and flexibility (51%), which comes from making an irrevocable gift of assets (47%) into a DAF, as well as the complexity of rules regarding DAFs (39%), as moderate or major concerns for their clients. Financial advisors also reported that **DAF rules and restrictions are common challenges for their clients**, with 43% reporting clients misunderstanding the rules and 39% reporting clients having a hard time with grantmaking restrictions as moderate or major concerns.

This report has significant implications, especially for financial advisors, DAF sponsors, and donors.

“This research provides practical insights for financial advisors on how to engage clients in charitable planning,” says Russell James, The CH Foundation Chair of Personal Financial Planning/Charitable Giving Program Director, at Texas Tech University. “Each section of the report contains takeaways and ideas for improvement, highlighting best practices among financial advisors. This research can also be useful to DAF sponsors in understanding when and why financial advisors are recommending DAFs.”

This study was made possible by a consortium of DAF sponsors and educational institutions in the financial services industry that helped distribute the survey to a wide range of financial advisors: DAFgiving360™, American Endowment Foundation, The American College of Financial Services, Fidelity Charitable, and Investments & Wealth Institute.

The research for this report was completed with funding from DAFgiving360. The findings and conclusions contained within are those of the authors and do not necessarily reflect official positions or policies of DAFgiving360.

For more information

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About the Donor Advised Fund Research Collaborative

The mission of the Donor Advised Fund Research Collaborative (DAFRC) is to conduct empirical research that enhances the public understanding of DAFs. The DAFRC was

co-founded by Dr. H. Daniel Heist of Brigham Young University and Dr. Danielle Vance-McMullen of DePaul University. Partnering with academic scholars, industry experts, and philanthropic practitioners, the DAFRC is committed to providing rigorous, data-driven insights for the sector. Learn more at dafresearchcollaborative.org

About the Principal Investigators

Dan Heist
H. Daniel Heist, Ph.D., is an Assistant Professor of Nonprofit Management and Social Impact at the George W. Romney Institute for Public Service and Ethics at Brigham Young University. He researches philanthropy, charitable giving, and volunteering. His nine years of professional fundraising experience inform his research. Dr. Heist is a leading expert on DAF research and is a co-founder of the Donor Advised Fund Research Collaborative.

Benjamin Cummings
Benjamin F. Cummings, Ph.D., CFP®, is an Associate Professor and Program Director of the Master of Science in Finance (MSF) program at Utah Valley University, where he teaches in the nationally recognized financial planning and wealth management program. Benjamin researches financial decision making and charitable planning, drawing on his experience as a financial advisor and educator across multiple institutions.

Erinn Andrews
Erinn Andrews is a social sector entrepreneur and the Founder & CEO of GiveTeam, a philanthropic planning practice that collaborates with financial advisors to help clients develop a charitable mission statement and identify local nonprofits to fund. Previously, she led a research lab at Stanford's Center on Philanthropy and Civil Society and oversaw nonprofit strategy at GuideStar. While there, she developed and launched the GuideStar bronze, silver, gold, and platinum levels of distinction for nonprofits. Erinn serves as the President on the national Advisors in Philanthropy board and holds an M.A. and B.A. from Stanford University.

Russell James
Russell N. James, III, J.D., Ph.D., CFP®, is a professor in the School of Financial Planning at Texas Tech University, where he holds the CH Foundation Chair in Personal Financial Planning and directs the graduate program in Charitable Financial Planning. His research focuses on charitable giving, charitable estate planning, and behavioral and neuro-economic influences on donor behavior. He has published extensively and has been featured in major media outlets covering philanthropy and financial behavior.

Jon Bergdoll
Jon Bergdoll is the Interim Director of Data and Research Partnerships at the Indiana University Lilly Family School of Philanthropy and the managing director of Giving USA. He leads statistical modeling, econometric analysis, and data strategy for major philanthropic research projects.

About DAFgiving360™

DAFgiving360 is an independent 501(c)(3) public charity with a mission to increase charitable giving in the U.S. DAFgiving360 does this by providing a tax-smart and simple giving solution of a donor-advised fund (DAF) account to donors and financial advisors. Since its founding in 1999 as a 501(c)(3) public charity, DAFgiving360 donors have recommended over $50 billion in grants to more than 295,000 charities. Visit dafgiving360.org to learn more.

DAFgiving360™ is the name used for the combined programs and services of Donor Advised Charitable Giving, Inc., an independent nonprofit organization which has entered into service agreements with certain subsidiaries of The Charles Schwab Corporation. DAFgiving360 is a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code. 0526-B6NL

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