MAXIMIZE THE POWER OF DONOR-ADVISED FUNDS

A simple, flexible, and tax-advantageous way to support the causes you care about.

A Donor-Advised Fund (DAF) is a charitable investment account established through a sponsoring organization, such as a financial institution or community foundation. You contribute cash, securities, or other eligible assets and may generally receive an immediate charitable tax deduction. The assets can then be invested for potential tax-free growth, while you recommend grants to IRS-qualified public charities.

Here's how a DAF can benefit both you and the charities you support.

STEP ONE: MAKE A TAX-DEDUCTIBLE CONTRIBUTION

You can fund a DAF with cash, appreciated securities, and, depending on the sponsoring organization, certain other assets such as private business interests or cryptocurrency. In most cases, the charitable tax deduction occurs when you contribute to the DAF—not when grants are later distributed to charities.

Consider this example: One donor learned late in December that an unexpected windfall would create a significant capital-gains tax liability. With only two weeks to secure a substantial charitable deduction—and without knowing exactly where he wanted to make a philanthropic impact—he established a DAF. This allowed him to receive the tax benefit immediately while taking more time to identify the charitable projects and organizations that aligned with his interests.

STEP TWO: GIVE YOUR GIFT THE POTENTIAL TO GROW

While you consider which charities to support, the assets in your DAF can remain invested and potentially grow. That means your original contribution may ultimately provide even greater support for the causes you care about.

Your sponsoring organization can help you understand its investment options and any requirements for making grants from your account.

STEP THREE: SUPPORT THE CHARITIES YOU LOVE—NOW OR OVER TIME

Once your DAF is established, you can recommend grants to the charities and causes that matter most to you. Your sponsoring organization handles the administrative details, including processing grants and maintaining records and receipts.

DAFs can also help donors navigate charitable giving rules. For example, DAF assets generally cannot be used to purchase tickets or other benefits for the donor. If you want to attend a gala, you would purchase your ticket with personal funds and could then recommend an unrestricted DAF grant to the charity.

For many Western Folklife Center donors, a DAF offers an easy way to turn philanthropic goals into meaningful support without the ongoing investment management and paperwork.

Interested in learning whether a DAF is right for you? Talk with your tax advisor, community foundation or visit DonorAdvisedFunds.com for more information.