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# Donor Advised Funds Through Donors' Eyes

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**BNY MELLON**  
WEALTH MANAGEMENT

# Donor Advised Funds Through Donors' Eyes

## Vehicle of Choice

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# Donor Advised Funds Through Donors' Eyes

## Agenda

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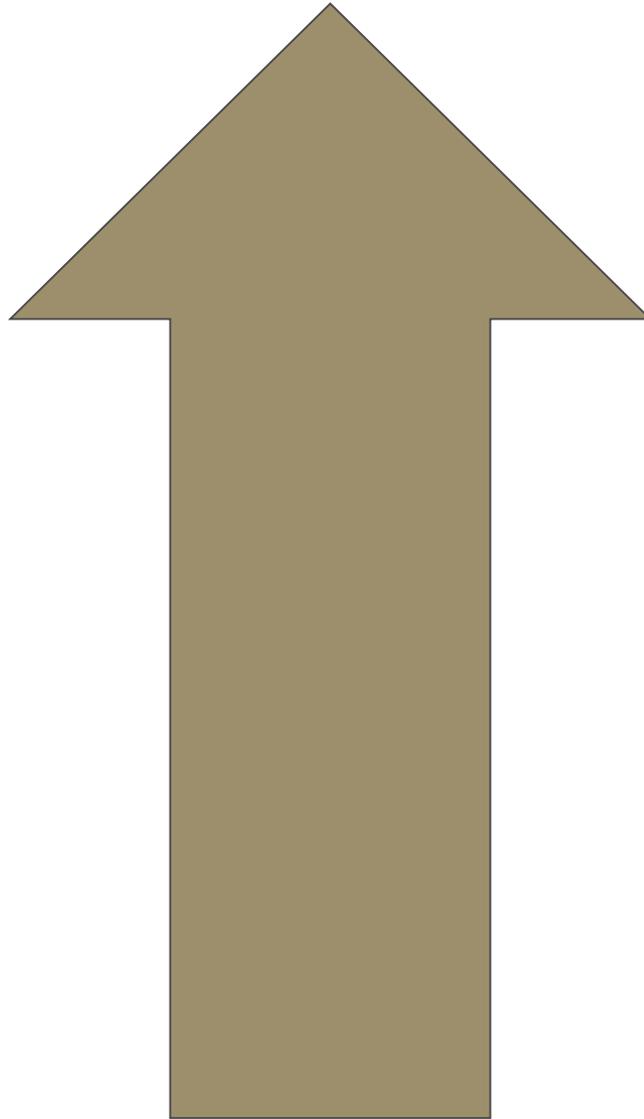
- **Popularity of Donor Advised Funds (“DAFs”)**
- **Rules of the Road**
- **DAF Donors**
- **What Charities Can Do**
- **Key Takeaways**

# Popularity of Donor Advised Funds

## A Brief History

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**Present Day:**



**1930's:**

# Why Charities Should Take Notice

## Impact of Donor Advised Funds

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**\$15.75 billion**

Grants in 2016, up  
10.4% from 2015

**\$23.27  
billion**

Contributions  
to donor  
advised funds  
in 2016

**9.7%**

Increase in donor advised  
assets since 2015

**20+%**

Annual grant  
payout rate  
since 2010

**\$85.15  
billion**

Charitable  
assets under  
management  
in donor  
advised  
funds in 2016

**\$298,809**

Average size of an  
individual donor advised  
fund in 2016

# Popularity of Donor Advised Funds

## Impact of Donor Advised Funds

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- **Donor advised funds received about 8% of all dollars donated by Americans<sup>1</sup>**
  
- **Six of the top ten organizations in The Philanthropy 400 are primarily built on donor advised funds<sup>2</sup>**

<sup>1</sup>The Chronicle of Philanthropy, Donor Advised Funds, What Donors Want, 2017

6 <sup>2</sup>The Chronicle of Philanthropy, Capturing the New Donor, November 2017

# Rules of the Road

## Definition of a Donor Advised Fund

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- A separately identified fund or account maintained and operated by a sponsoring organization
- Each account is composed of contributions made by individual donors
- Once the donor makes the contribution, the sponsoring organization has legal control over the funds
- Donors have, or reasonably expect to have, advisory privileges with respect to the distribution of funds and the investment of assets in the account



# Rules of the Road

## Guidelines for Grants

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### Allowed

- ☑ Grants can only be made to Qualified Charities, which include:
  - Domestic 501(c)(3) and 509(a)(1) and 509(a)(2) public charities such as schools, churches, hospitals and museums
  - Governmental units qualified to receive tax-deductible charitable contributions
  - Private operating foundations
  - Some public charities classified under 509(a)(3)
- ☑ Expenditure Responsibility
  - Other domestic charitable organizations and foreign charities (equivalency determination)

### Not Allowed

- ☒ Grants cannot be made to:
  - Any Natural Person
  - Non-qualifying organizations (unless expenditure responsibility)
- ☒ Grants cannot be used for:
  - Purpose other than charitable purpose within meaning of 501(c)(3)
  - If grant results in donor or related person receiving more than an incidental benefit (i.e. admission price for event or gala, charitable auctions, memberships, etc.)

# Rules of the Road

## Guidelines for Grants – Major Shift in IRS & Treasury Department Position

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### Allowed

- ☑ Notice 2017-73: Grants that fulfill the personal pledge of a donor [...] – *even a legally binding pledge* – would not be treated as “more than incidental benefit” under Section 4967 of the Internal Revenue Code, so long as:
  - Sponsoring organization makes no reference to existence of a charitable pledge when making a distribution
  - No Donor/Advisor receives, directly or indirectly, any other benefit that is more than incidental on account of the DAF distribution
  - Donor/Advisor does not claim a charitable contribution deduction for the DAF distribution (even if receiving charity mistakenly sends tax acknowledgement)

# Rules of the Road

## Why Donor Advised Funds Are Appealing

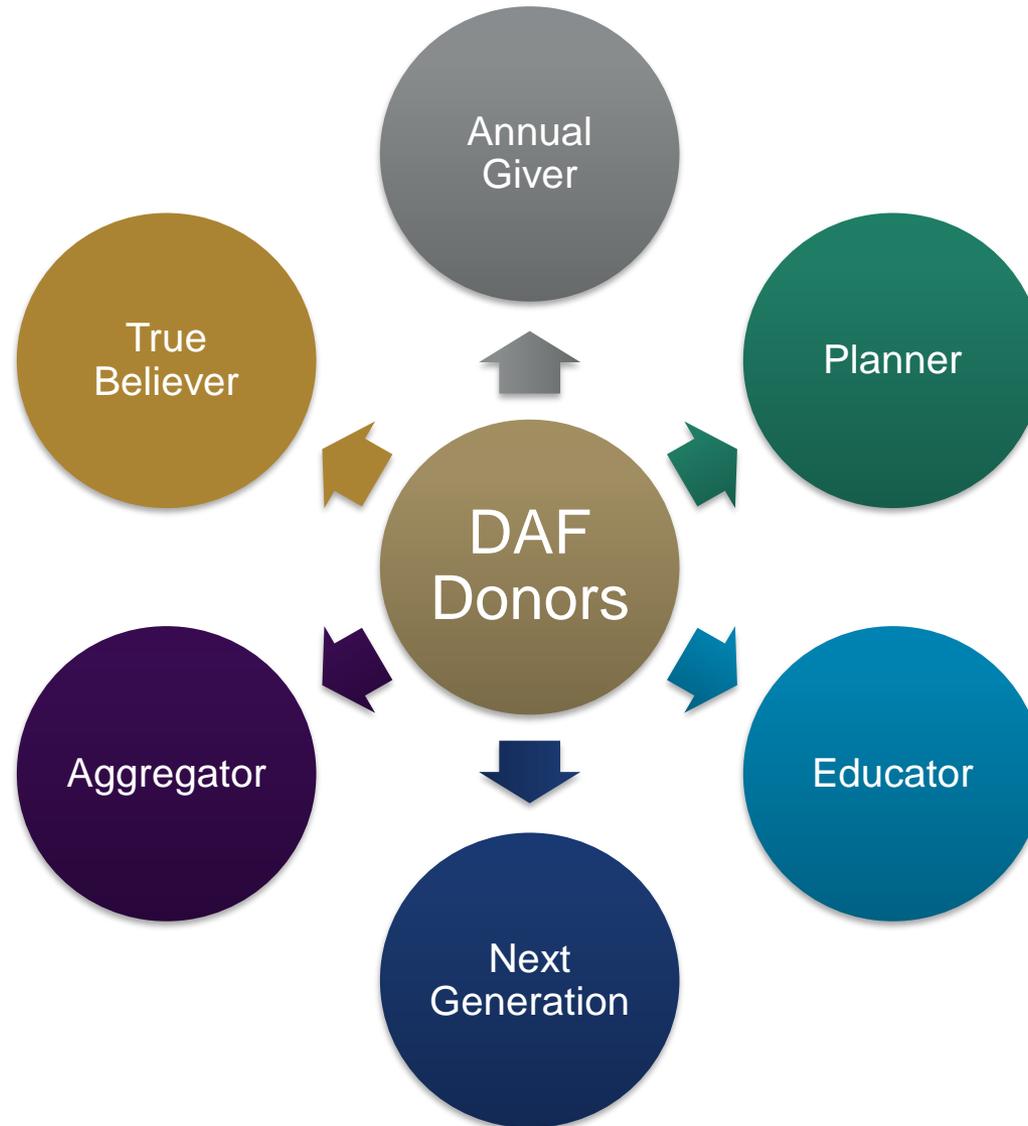
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- **Simple to establish**
- **Easy to understand and explain**
- **Flexible and portable (mostly)**
- **24/7 access through online**
- **Contributions are tax deductible in the year gifted and grow tax free**
  - Cash: up to 60% of adjusted gross income
  - Appreciated Securities: up to 30% of adjusted gross income
- **No required minimum distribution (for now)**
- **Anonymous giving**
- **Investment options**

# DAF Donors

## Who Are They?

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# DAF Donors

Stewardship is Key

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# What Charities Can Do

## Stewardship - Fundraisers

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- **Focus on your donor**
  - Recognize affinity to your organization
  - Acknowledge donor's relationship with her/his current DAF
  - Incorporate DAFs into your donor conversations
  
- **Familiarize yourself with DAF “rules of the road”**
  - Encourage recurring gifts and legacy gifts
  - Help donors comply
  
- **Remember that a DAF is simply another vehicle for giving**
  - Your donor's charitable intent is what counts

# What Charities Can Do

## Stewardship - Organizations

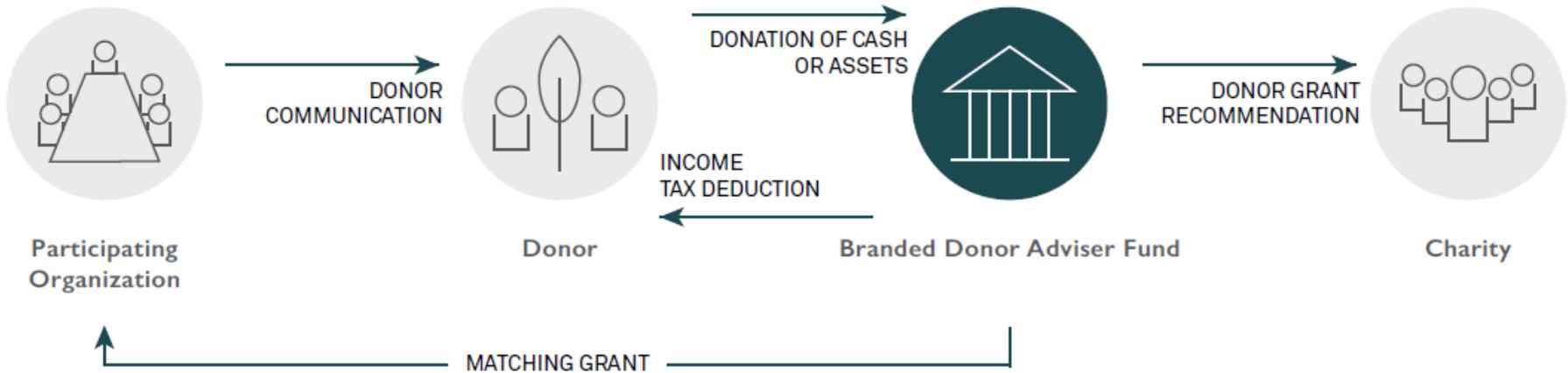
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- **Recognize donor's affinity to your organization**
  - Thank donor, NOT sponsoring organization
  - Think about credit/recognition – for donor and gift officer
  
- **Examine Internal Policies and Procedures**
  - How are you capturing and tracking DAF gifts?
  - Revisit your forms, agreements, etc.
  
- **Incorporate donor advised fund information in all marketing efforts**
  - Print material
  - Website
    - List DAFs in the “Ways to Give” section
    - Consider using the DAFDirect widget<sup>1</sup>

<sup>1</sup> DAF Direct is a third-party service mark and is property of the DAF Direct Trust.

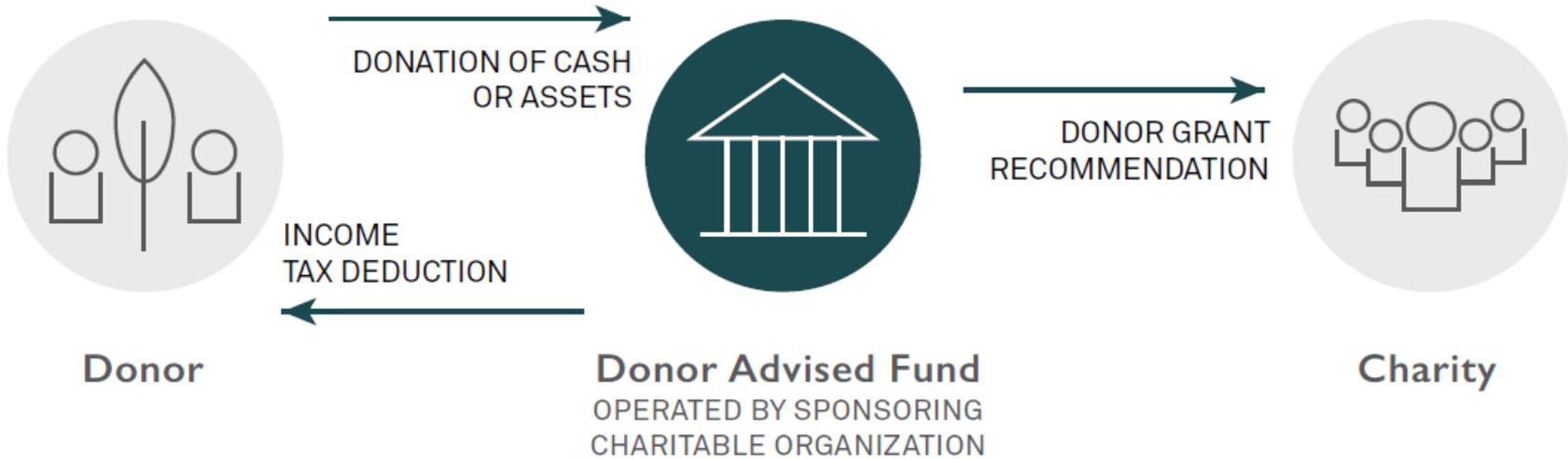
# What Charities Can Do

## Next Level: Utilize White Label Donor Advised Fund



# What Charities Can Do

## Next Level: Sponsor Own Donor Advised Fund Program



# Key Takeaways

## DAF Checklist

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- ❑ **Know the reasons, know the ways**
  - Donors use DAFs for all kinds of reasons and in all kinds of ways
  
- ❑ **Steward DAF donors**
  - Strong affinity for your organization
  
- ❑ **Educate yourself and your donors**
  - DAFs are simply another vehicle for giving
  
- ❑ **Take a hard look at your systems, processes and procedures**
  - Do they take DAFs into account?
  
- ❑ **Expect more attention on DAFs in the future**
  - What impact will proposed changes have on DAF giving?

# Donor Advised Funds Through Donors' Eyes

Questions?

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Stay Alert,  
DAFs (and motorcycles) are everywhere!

# Disclosure

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