



As the name implies, a **Donor Advised Fund** allows someone to direct distributions out of a fund that he or she creates for the benefit of various charitable organizations. Essentially, donor advised funds work like a “charitable IRA,” with money set aside now to distribute in the future. Larger donor advised funds can also offer many of the advantages of private foundations, but without all the costs and administrative requirements. And the tax benefits are generous.

You establish a donor advised fund with an irrevocable contribution of stocks, bonds, cash, or mutual fund shares. You may name yourself or others as advisors to the fund. Children or other family members are sometimes named as successor advisors.

Your contribution will be invested and the Wayne County Foundation will accept nonbinding advice on how and when money from your account is disbursed. You can rely on the Foundation to make sure the group you intend to support is a well-run qualified charity. The Foundation may also alert you to local giving opportunities from time to time that may be of interest.

Donor advised funds can be set up as non-permanent funds that can be depleted or as permanently endowed funds, where a portion of the fund is made available for distribution each year. Non-permanent funds can be converted to endowed field of interest funds at some future date.

Benefits

Taxes – You may be eligible to receive current income tax charitable deductions for your contributions into the fund, and a higher percentage of your adjusted gross income may be deducted for income tax purposes than with gifts to a private foundation. If you contribute appreciated assets to the fund, you may be able to avoid capital gains taxes.

Convenience and timing – A donor advised fund allows you to consolidate your charitable giving for tax purposes. You can make one large contribution to your donor advised fund and take an income tax charitable deduction for that gift in the year you make the gift. Then, you can take your time recommending gifts to the charitable organizations you choose.

Simplicity – A donor advised fund also allows you to centralize and streamline your giving. Having a donor advised fund allows you to effectively support a number of charitable organizations without having to retain records for a number of separate contributions.

Family Philanthropy – Some donors use their donor advised fund as a substitute for a ‘family foundation’. Families can build a tradition of giving and teach their children the values of philanthropy by involving family members in the decisions about which grants to recommend.

Restrictions

There are very few restrictions associated with a donor advised fund. Fundamentally, all distributions must be used for a charitable purpose. Most any charitable purpose is acceptable, although it is not possible to award a scholarship or make hardship distributions from a donor advised fund. Also, distributions from donor advised funds may not be used to make a gift that has any return benefit to the donor or to satisfy a charitable pledge.