



Donor advised funds, one of the fastest growing segments of philanthropy, offer many of the advantages of a private foundation without all the costs and administrative requirements. As the name indicates, the donor can provide advice on which charitable groups receive gifts from the fund. And the tax benefits are generous.

You can establish a donor advised fund with an irrevocable contribution—usually stocks, bonds, cash or mutual fund shares—to a community foundation or charitable organization that provides grants to other tax-exempt public charitable organizations. You may name yourself or others as advisors to the fund, and your children as successor advisors.

Your contribution will be invested and the community foundation will accept nonbinding advice on how and when money from your account is disbursed. Donor-advised funds are generally permanent endowment funds, with a percentage of the fund used each year. If you wish, the fund can be set up to spend some or all of the principal, as well.

Though similar to a private foundation, a donor advised fund is often preferred by donors because there are no set-up fees, another person handles annual filing and compliance requirements, and there are no excise taxes.

Benefits

Taxes—You receive current income tax and gift tax charitable deductions for your contributions to 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 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 could also allow 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. Many donor advised funds also offer helpful reporting and administrative services that can further simplify your giving.

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.