

TAKING CONTROL OF GIVING

Donor-advised funds are the most popular charitable giving vehicle in the US, and the UK is now following the trend



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Donor-advised funds (DAFs) are one of the hottest things in philanthropy right now. Popular with wealthy families as well as those with more modest means, DAFs offer a flexible and convenient way to manage your charitable giving.

Often described as charitable savings accounts, DAFs can be an alternative to setting up a charitable foundation. A DAF is a charitable giving vehicle created at a charity by an individual or family to help make philanthropic gifts. You contribute personal assets (cash, shares, property, etc) to your DAF, which are then invested and may grow over time. Working with the charity that manages your DAF, you can guide your philanthropic gifts to charitable organisations in the UK and around the world. DAFs provide the functionality of a conventional grant-making foundation or charitable trust at a lower cost and with none of the associated administrative hassles.

Donor-advised funds have existed since the early 20th century, but they really surged in visibility and popularity (particularly in the US) around twenty years ago, when DAF providers started working with private banks and investment managers to make investing the DAF assets easy and flexible. Today DAFs are seen by many as an essential tool for charitable giving and estate planning.

Giving from DAFs now makes up more than 3 per cent of all charitable giving in the US, with DAFs now outnumbering private foundations almost three times over. According to the 2015 DAF Report published by National Philanthropic Trust, there is more than \$70 billion in DAFs in the US, made up of close to 250,000 separate accounts. The charitable assets in these DAFs grew by over 23 per cent in 2015, con-

tinuing a trajectory of double-digit growth that began in 2010.

In recent years, more and more donors based in the UK have started using DAFs. The UK, of course, has a long and distinguished history of philanthropy, and London is a global hub for wealth management and family offices. The vast majority of British families and global families who manage their affairs from London have needs similar to their American peers when it comes to their charitable giving — more convenience and greater tax-efficiency. DAFs offer a simple, convenient and cost-effective solution.

STREAMLINING GIVING

DAFs have become so popular in part because of their flexibility. The setup process is surprisingly simple and convenient: you can set up a DAF in one day. After that it requires minimal administrative oversight. Things are so simplified for donors that you can make a single contribution to your DAF and then recommend as many grants to as many approved charities over as long a period as you like. The charity that sponsors and manages your DAF will provide you with a tax receipt for your contribution. It will also conduct all the necessary due diligence on the grant recipient, review and approve the grant, send the grant payment and conduct any necessary follow-up to comply with tax and charity laws.

You may contribute cash, as well as other assets such as shares and property. DAFs make it easy to convert a wide variety of assets into philanthropic capital. These can include property, works of art, col-



Donors often make substantial gifts to their DAF when a significant liquidity event occurs