



BUT THE GREATEST
OF THESE IS CHARITY

Donor Advised Funds by John Canady

As we start 2017 armed with our New Year resolutions, many of us will take a look at our charitable giving and how we might help those less fortunate. For American expats who make the UK their home, a donor advised fund (DAF)

might be something to consider.

Not as well known here in the UK, DAFs now make up more than 3% of all charitable giving in the United States, outnumbering private foundations almost three times over. According to the 2015 DAF Report published by National Philanthropic Trust, DAFs are now the most popular giving vehicle in the US.

We are starting to see the popularity of DAFs here in the UK, and here is why...

1. Convenience

You no longer need to track receipts from multiple charities. You get the charitable tax deduction when you make a contribution to your DAF account and can then support various charities from the DAF account where all of your giving can be managed centrally. You also have the confidence that the charities you support have been vetted by the DAF provider.

2. Donating securities and other types of assets

Charities are not always able to accept assets other than cash. With a

DAF, you may donate other types of assets. The smartest donations often aren't cash. For example, if you have appreciated shares in your portfolio, you may donate the shares to your DAF account, eliminate the capital gains tax liability and write off the market value of the shares on your income tax return.

3. Payout flexibility

For many, the idea of ring-fencing an amount of capital for future giving is appealing. The pressure of deciding which charities to support can be overwhelming when you receive a large bonus, inheritance, or go through a liquidity event. With a DAF, you may contribute assets to your DAF account when it makes the most sense from a tax planning perspective and then decide later which charities to support in your own time.

4. Discretion and privacy

When you recommend grants from your DAF account to a charity, you may choose whether you wish to be identified or remain anonymous.

What is a DAF?

Donor-advised funds are like charitable savings accounts.

- ★ You open a DAF account and give it a name (e.g. The Smith Family Foundation)
- ★ You then donate assets into your DAF account (cash, appreciated shares, property are common) and receive tax recognition for your donation when the assets are donated to the DAF account
- ★ You may recommend investments to grow the balance in your DAF account
- ★ When you are ready, you recommend grants from your DAF account to support any qualified charity.

5. Providing a legacy

Many donors use DAFs to engage their children and family to discuss charitable giving as a family. You may list your DAF account as a legacy bequest in your will and you may name the successor advisors on your DAF account for the next generation.

US/UK 'dual qualified' DAF

Dual US/UK taxpayers should consider using a US/UK 'dual qualified' DAF. A dual qualified DAF is recognised as a charity by both US and UK tax authorities simultaneously. While donations to a 501c3 can be written off of your US taxes (but not your UK taxes) and donations to UK charities can be written off of your

UK taxes (but not your US taxes), a dual qualified DAF allows donors to receive tax credit for their contributions in both the US and UK.

There are a variety of charities that sponsor DAFs. When selecting a sponsoring charity to manage your DAF, you should review the sponsoring organisation's policies regarding grant recommendations, minimum contribution requirements, investment options, donor services and fees. You may also want to consult with your solicitors, estate planners or financial advisors when establishing a DAF. After your DAF is established (which can be done in one day), you can focus on what's important - giving to charities that mean the most to you. ★

Published annually by National Philanthropic Trust, the 2016 Donor-Advised Fund Report reveals that in the US, DAF assets available for grantmaking grew to a new high of US\$78.64 billion. Donors' contributions to DAFs also hit an all-time high of US\$22.26 billion. Total grants from DAFs to charities reached a record US\$14.52 billion in 2016. DAF accounts now outnumber private foundations by three to one and are the fastest growing charitable giving vehicles

John Canady is CEO of National Philanthropic Trust UK which provides donor-advised funds (DAFs) and other charitable giving vehicles that are tax-effective in the UK and US.
www.npt-uk.org

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Donor-advised funds are a simple, tax-effective way to manage your charitable giving.

With NPT-UK, your charitable donations may be recognised for tax purposes in both the UK and US.

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