

Donor Advised Fund Q&A

OVERVIEW & BENEFITS

Q1. What is a Donor-Advised Fund (DAF)?

A1. A donor-advised fund (DAF) provides donors with a centralized charitable account. It allows inclined individuals, families and businesses to make an irrevocable gift to a public charity that sponsors a DAF and take an immediate tax deduction. Most DAFs accept cash equivalents, securities, and other assets.

Q2. How does a Donor Advised Fund work?

A2. Donors make an irrevocable, tax-deductible contribution of cash, long-term appreciated securities or other assets to a charity that sponsors a DAF program, which then establishes an account in the donor's name. DAF donors may choose from a variety of investment options and proceeds are put into an account from which donors may make grant recommendations.

Q3. Why do donors choose to have a Donor-Advised Fund?

A3. Donor Advised Funds offer donors a way to plan, manage and potentially grow their charitable giving. See below for others:

- *Simplicity* – The DAF sponsor handles all record-keeping, disbursements, and tax receipts.
- *Flexibility*– Timing of your tax deduction can be separate from your charitable decision making.
- *Tax-efficiency*– Contributions are immediately tax-deductible and any investment growth in the DAF is tax-free. It is also easy to donate long term appreciated securities, eliminating capital gains taxes and allowing you to support multiple charities from one block of stock.
- *Family legacy*– A DAF is a powerful way to build or continue a tradition of family philanthropy.
- *No start-up costs*– There is no cost to establish a donor-advised fund. However, there are often minimum initial charitable contributions to establish the DAF (typically \$5,000 or more).
- *No transaction fees*– Once approved, 100% of your recommended grant goes to your qualified public charity of choice.¹
- *Privacy if desired*– Donors may choose to remain anonymous to the grant recipient.

Q4. How are sponsoring DAF organizations structured?

A4. The sponsoring organizations of donor-advised funds are organized as 501(c)(3) public charities.

Q5. How are Donor-Advised Funds able to provide grants to nonprofits without charging a transaction fee?

A5. Donor-advised funds generally charge donors a small administrative fee that goes toward operating expenses.

HOW DAFS WORK

Q6: How does a nonprofit get into a sponsoring organization's database to be considered by a donor?

¹Sponsoring organizations generally assess an administrative fee on the assets in a DAF. These fees vary by organization



A6: Sponsoring organizations of DAFs get the list of qualified public charities directly from the IRS database. Donations from a donor-advised fund can be made to charitable organizations that are listed as tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3) and public charities under IRS Section 509(a). Grants can also be made to private operating foundations or state or local government organizations qualified to receive tax-deductible charitable contributions, such as state colleges or universities as defined in Internal Revenue Code Section 170(c)(1).

Q7. How are grant recommendations reviewed and paid?

A7. A charity that sponsors a DAF program reviews grant recommendations to ensure that the recommendation is in accordance to donor-advised fund guidelines. Once approved, the funds are paid by check in first class mail or transferred electronically depending on the DAF.

Q8. Should nonprofits send tax receipts when receiving a DAF grant?

A8. There is no need for you to send tax receipts as the DAF donor already received a tax receipt from the charity that sponsors the DAF.

Q9. Do sponsors of donor-advised funds accept nonprofit requests for proposals?

A9. No. DAF donors are self-directed in their charitable giving and therefore do not look to the sponsors of the DAF programs for recommendations on where to give, but to help them donate more effectively and efficiently.

Q10. Do most of the donors share their contact information? Where can I find their information?

A10. Although donors may request for Fidelity Charitable to not share their contact information with a grantee, the vast majority choose to disclose their names and addresses.

Q11. How long does the approval process take prior to the money being sent?

Q11. The approval process varies for each of the sponsoring organizations. However, grant recommendations are decided upon as soon as possible.

Q12. Is there a minimum donation a donor must make from a DAF?

A12. The minimum grant recommendation amount varies by plan sponsor.