



What's the Largest Foundation You've Never Heard of? *Demystifying Donor Advised Funds*

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DAF 101

the basics to
get you started

Supporting the Arts
Education & Community



William Barstow,
founder of the first
donor advised fund

**CHOOSE YOUR CAUSE
LEAVE YOUR LEGACY**

1ST DONOR ADVISED FUND 1931

What are DAFs?

- Charitable savings account
- No distribution requirements
- Provides philanthropic advising
- Accessible

HOW DONOR ADVISED FUNDS WORK



DONORSEARCH

What are DAFs?

- \$230B invested in DAFs
- \$52B in grants from DAFs
- 3M individuals using 2M DAF accounts
- \$117,000 average account

Table 1: Donor-Advised Fund Metric Overview (\$ Billions Except as Noted)

	2020	2021	% Change
Charitable Assets	\$231.35	\$228.89	-1.1%
Total Grants	\$47.83	\$52.16	9.0%
Total Contributions	\$78.44	\$85.53	9.0%
Payout Rate*	28.7%	22.5%	-6.2 percentage points
Average DAF Account Size	\$122,162	\$117,466	-3.8%
Number of DAF Accounts	1,893,762	1,948,545	2.9%

* Following the Candid model for calculating payout rates for independent foundations, the payout rate for donor-advised funds is this year's grants divided by last year's total assets. See Appendix A for alternative approaches to calculating payout.

² Year-end values for DOW and S&P500 obtained from finance.yahoo.com on October 24, 2023.

³ Bureau of Economic Analysis (BEA.gov), U.S. Economy at a Glance Table, published September 28, 2023 and accessed October 24, 2023.

⁴ Ibid.

⁵ Bureau of Labor Statistics (BLS.gov), Civilian Unemployment Rate, accessed October 24, 2023.

Table 2: Donor-Advised Funds and Private Foundations in 2022 (\$ Billions)

	Donor-Advised Funds	Private Foundations
Charitable Assets	\$228.89	\$1,158.00
Total Grants	\$52.16	\$99.67

- **DAF charitable assets amount to 20 percent of those in private foundations.**
- **The value of DAF grants in 2022 amounts to 52.3 percent of the value of grants from private foundations.⁶**
- **In 2022, DAFs granted 22.5 percent of their assets from the previous year.** Foundations must meet the minimum distribution of five percent of assets in grants or through “grant-related expenditures.” It is important to note that grants from DAFs do not include any grant-related expenditures, administrative fees or operational overhead costs, while private foundations can include these in their grant and expenses total.

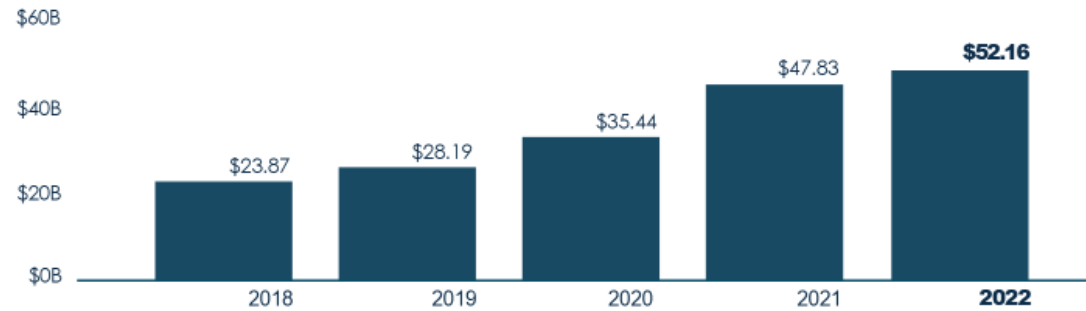
⁶ The asset and grant total for private foundations in this table are reported by FoundationMark and include 40,000 private foundations in the United States with more than \$1 million in assets. FoundationMark estimates that their data subjects represent 97 percent of all foundation assets. <https://foundationmark.com/#/grants>

GRANTS PASS \$52 BILLION FOR NEW HIGH

Grants from DAFs to charitable organizations reached \$52.16 billion, a 9 percent increase from a revised 2021 total of \$47.83 billion.⁷ A 9 percent growth rate marks the first time grant growth has been less than 10 percent since 2012. The compound annual growth rate for grants from 2018 to 2022 is 21.6 percent.

Despite the slower rate of growth from 2021 to 2022, grants have more than doubled—increasing 118.5 percent—over the past five years.

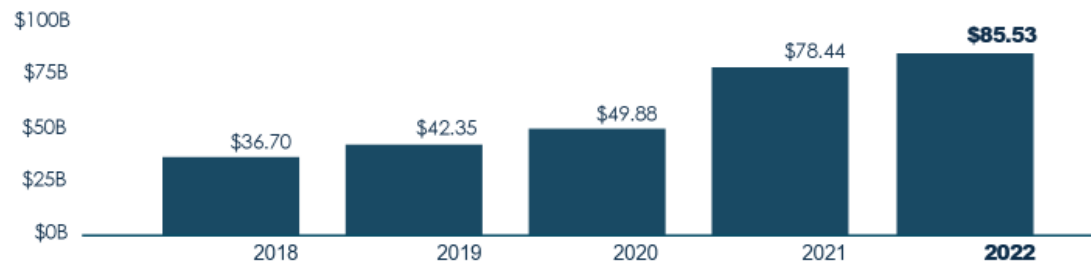
Figure 1: Total Value of Grants Made by Donor-Advised Funds (\$ in Billions)



CONTRIBUTIONS INCREASE RAPIDLY

Contributions to DAFs in 2022 totaled \$85.53 billion, an all-time high. This number surpasses the revised 2021 value of \$78.44 billion and is a 9 percent year-over-year increase. The compound annual growth rate for contributions from 2018 to 2022 is 23.6 percent.

Figure 2: Total Value of Contributions to Donor-Advised Funds (\$ in Billions)



⁷ Grants from one DAF charitable sponsor to another DAF charitable sponsor, also called "DAF-to-DAF transfers," are included in this grant total. There are many reasons why a donor may recommend a grant to another DAF, including giving to collaborative DAFs or giving circles or emergency funds that are housed at a different charitable sponsor, like COVID-19 or disaster relief funds at Community Foundations. Donors may also move their DAF from one charitable sponsor to another to focus on specific regions or issues, to lower fees, to have more money available for charitable grantmaking or to stay with an advisor who moves to a different financial firm. DAF data reported on the IRS Form 990 includes grantee information but does not include details about a grant's intended purpose. As such, there is no way to calculate DAF-to-DAF transfers with accuracy.

Who Sponsors DAFS?

- Nearly 1,200 DAF sponsors
- BIG 3: Fidelity, Schwab, Vanguard
- Wealth advisors
- National foundations
- Local community foundations
- Public entities: Universities, hospitals, single-issue charities

Who Uses DAFs?

- Individuals and families (97%)
- Private foundations
- Companies
- New to philanthropy
- Immediate tax benefit
- Planned giving prospects

Receiving Gifts From DAFs

- Average payout: 22%
 - 59% general operating
 - 41% restricted
- Documentation
- Acknowledgement
- Streamline donation process:
 - [DAFpay](#)
 - [DAF Widget](#)
 - [DAF Direct](#)
 - Solicitations and donation forms
- Ways to give
- Pledge considerations

Stewarding DAFs

- Philanthropic advisors
- Build relationships with CPAs, wealth managers
- Treat the gatekeeper as the donor
- Discovery with Donor Advisor or DAF Sponsor
- Invite for tours
- Speak at gatherings
- Provide updates on outcomes, annual reports, one pagers, etc.

What nonprofits are saying

Best Friends has taken a proactive approach to socialize the benefits of DAF and IRA giving among our constituents. We have added the option to indicate a forthcoming gift from these sources on appeal reply devices. We send promotional postcards twice a year, and we recognize those who have given in this way in the past and personalize the messages they receive. We also have our research team add DAF and IRA donors into a mid-level portfolio when a gift of this type is received. We believe it is an indicator that the donor is thoughtful with their donation planning, has the capacity to give more, and deserves to have a personal relationship with our staff.”

Barbara Camick, Membership Director



“I believe that our donor communications have been promoted to feature DAF giving opportunities, which probably helped to promote this increase. We have been driving people to our website. Plus, for web visitors, we have made it easier for them to find DAF giving in our Other Ways to Give. Lastly, we deployed DAFPay in October 2023 which resulted in some uptick as well.”

*Art Weinkofsky, Director of
Development & Information
Systems*



Resources

- [CFRE My Education Finder](#)
- [FreeWill](#)
- [Council on Foundations](#)
- [Kansas Association of Community Foundations](#)
- [2024 National Study on Donor Advised Funds](#)
- [Fidelity Charitable 2024 Giving Report](#)
- [National Philanthropic Trust 2023 DAF Report](#)
- [DAFFY DUCK](#)
- [DAF Day: October 10, 2024](#)



Thank You

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Brad Cecil & **Associates**
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