Donor Advised Charitable Fund FAQ

Q: What is a donor-advised fund and how does it work?

A: A Charitable donor-advised fund is a simple, tax-smart solution for supporting charitable organizations you care about. Once you set up an account with a provider and contribute cash, securities, or appreciated assets, you'll be eligible for a current-year tax deduction and can be more strategic about your giving decisions.

Q: I'd like to understand more about the tax advantages of a donor-advised fund; where can I find more information?

A: Contributing to a donor-advised fund could have certain tax benefits, but these will be unique to each donor's circumstances. For example, the availability of federal income tax deductions depends on whether you itemize deductions. Rules and regulations pertaining to deductions for charitable giving vary at the state level as well. What's more, capital gains tax benefits can vary depending upon what you're contributing and how long you've held it. Finally, there may be estate tax benefits associated with certain contribution arrangements, but again, these are unique to each person's individual circumstances. We encourage you to explore resources regarding the potential tax advantages of contributing non-cash assets, but we always strongly recommend that you consult with a qualified tax advisor and/or legal counsel to review the specific tax implications of your proposed contributions.

Q: Are there advantages to giving to charity through a donor-advised fund rather than giving directly or through another vehicle?

A: A donor-advised fund account can enhance your overall charitable giving strategy, whether used alone or in conjunction with giving directly or through other vehicles such as private foundations, charitable gift annuities, or trusts. Each method has different features and benefits, so it's best to consult with your financial advisor, CPA, or attorney about your specific situation. Some key advantages of a donor-advised fund investing include:

- You may qualify for a current-year tax deduction
- You can recommend grants to charities over time at your convenience or when the charitable assets have had the chance to grow
- Streamlined recordkeeping, making it easier to donate appreciated investments or other assets that may be more difficult for smaller charities to accept directly. That

may help you to stay organized and eliminates the need to keep track of checks and credit card receipts for tax preparation.

Q: Can I withdraw my assets once they're contributed to my account?

A: Contributions to DAFs are irrevocable. That means donations can't be withdrawn once contributed. Donated assets are now subject to the full control and discretion of the Donor Advised Charitable Fund and can no longer be counted among your personal investments. However, you recommend how to use the available funds in your account to make grants to charities and causes that are important to you.

Q: Can I name others on my account to help me manage it?

A: Yes. You can usually appoint up to two people to serve as secondary account holders. Both the primary and secondary account holders have full and equal account access and privileges, though the primary account holder is our first point of contact. You can also recommend an investment advisor to help manage your account, although privileges will differ depending upon the type of account you have (core or professionally managed).

Q: What types of assets can I contribute?

A: You can contribute both cash and non-cash assets held for more than one year. The most common contributions are cash and appreciated, unrestricted publicly traded securities, like stocks, ETFs, mutual funds, bonds, and cryptocurrencies.

Q: How are contributions to my donor-advised fund invested prior to granting?

A: There are typically a variety of investment options depending on account type. For core accounts, you may recommend an asset allocation among a selection of investment pools. For professionally managed accounts, you may recommend a qualified investment advisor to invest account assets in a broad range of options outside of the investment pools, including stocks, bonds, ETFs, and mutual funds.

Q: How do you ensure that grants go to legitimate charities?

A: Donor Advised Charitable Fund providers will perform due diligence and can decline to make a recommended grant to an organization if the grant doesn't meet their criteria. They look to ensure that the:

1. Recommended donation will be made to an eligible section 501(c)(3) organization (as identified in Publication 78);
2. Those public charities will use those donated funds exclusively for charitable purposes; and

3. The donations will not confer impermissible benefits on donors or any other person.

Q: I've seen the term "more than an incidental benefit." What does that mean, exactly?

A: Grants from a donor-advised fund must be made exclusively for charitable purposes with no more than incidental benefits to you or any third-party contributor. A "more than incidental" benefit generally refers to items of financial value, such as event tickets, raffle tickets, auction items, or any other goods or services. The IRS considers certain items/services of minimal to be of "incidental" benefit, such as parking spaces, logo-bearing keychains, coffee mugs, or calendars. You are not allowed to recommend a grant that may result in "more than incidental" benefits.

Q: Why might a grant recommendation be declined?

A: Grants are only given to eligible organizations and then only for permissible purposes.

Donor Advised Charitable Funds will not:

1. Make distributions to individuals or any entity (e.g., estate, partnership, association, company or corporation) if the distribution is not to a 501(c)(3) tax-exempt organization
2. Make distributions if the distribution is not for a charitable purpose.
3. Make a distribution to a "supporting organization" described under section 509(a)(3) of the Internal Revenue Code.
4. Make a distribution to a private foundation or any other entity where the DAF would be required to exercise expenditure responsibility.
5. Make any grants, loans, compensation or expense reimbursements to any donor, donor advisor, person related to the donor or donor advisor.
6. Partially pay for a grant to a public charity and partially pay for goods and services provided to the donor by the grant recipient.
7. Provide educational loans to members of the donor's family
8. Pay for donor travel expenses
9. Allow the assets in its donor-advised funds to be used for fundraising events, for travel, or for other types of administrative items.
10. Be issued to individuals, such as scholarships, emergency hardship grants or disaster relief grants, including grants made directly to an organization for the benefit of a specific individual. This includes checks written directly to an individual or checks written to an entity for the benefit of a specified individual. For example, a grant to a university for the benefit of a designated student is prohibited.
11. Make grants for political purposes or for political campaigns.
12. Make grants that result in benefits, goods, or services to the donor, the fund advisor, members of their families, or businesses they control. Benefits include the payment of pledges, event tickets, meals, sponsorships, registration fees, discounted

merchandise, preferred parking and/or seating, and memberships unless the membership confers nothing of value.

13. Be used to satisfy all or a portion of a pre-existing personal pledge or other financial obligation of the donor, advisors, or any related parties. Advisors may, however, recommend that a grant be paid out over multiple years, subject to grant approval and annual due diligence.