



THE OHIO STATE UNIVERSITY

The Brave New World of Donor-Advised Funds

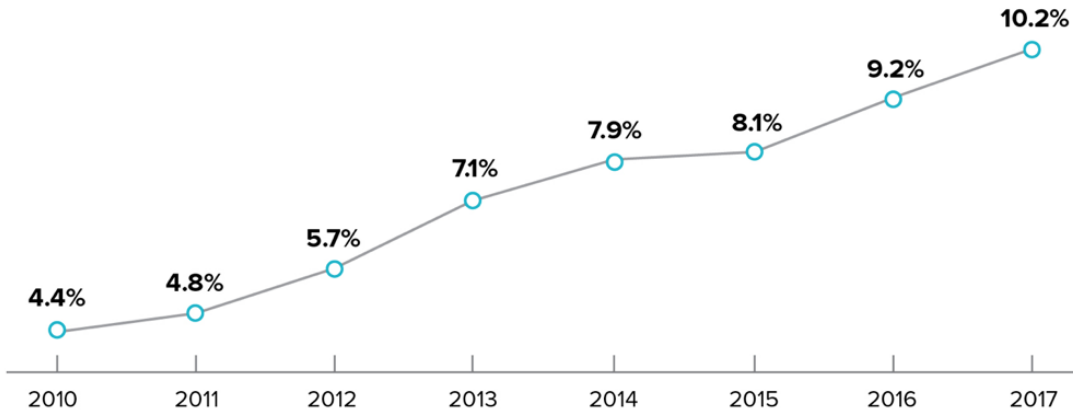


Donor-Advised Funds Basics

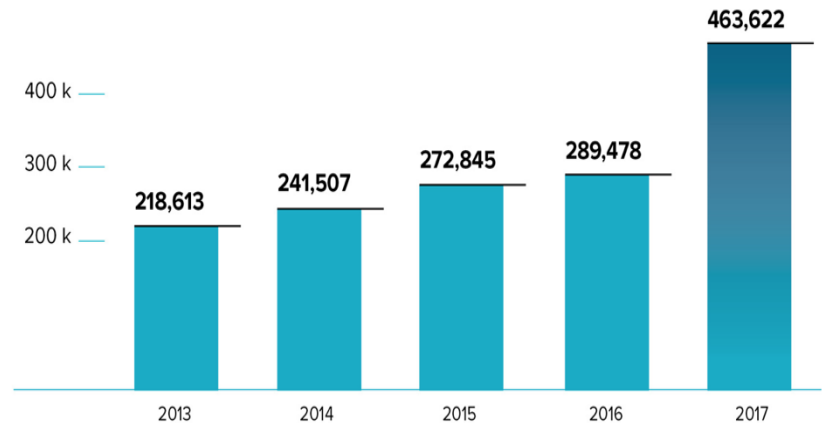
- **Mini Private Foundation “sponsored” by a public charity**
- **Donor gets tax deduction upon giving funds; can later direct funds to chosen operating charity**
- **Technically, the sponsor controls the assets; realistically, the original donor retains substantial discretion**



Contributions to Donor-Advised Funds, Expressed as % of Total Individual Giving



Number of Donor-Advised Funds



Source: National Philanthropic Trust
2018 Donor-Advised Fund Report



Why the boom?

- Once isolated to community foundations, many more have joined the sponsorship game.
- Permit benefit of donating (illiquid) appreciated property (>50% noncash)
- Less restrictions than private foundations
 - Payout requirements
 - Disclosure requirements
 - Excess business holdings
- Donor anonymity possible

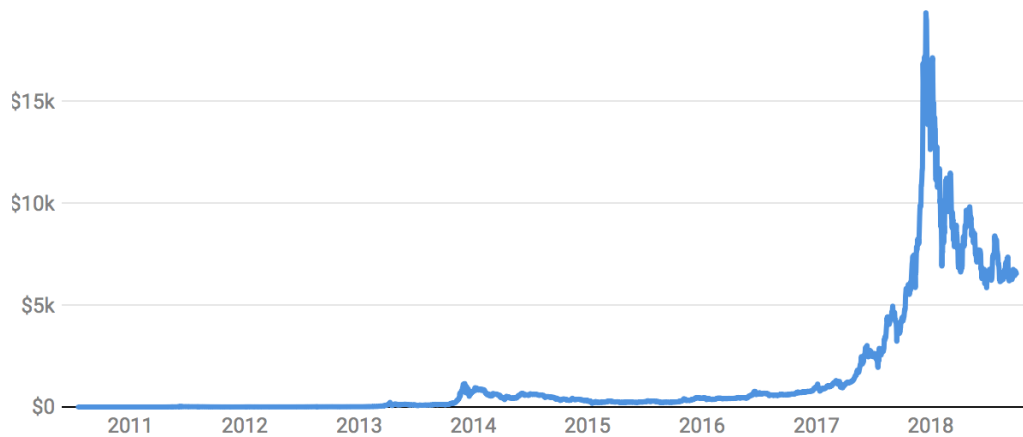


The latest drivers of growth

- Larger standard deduction and SALT limits mean “bunching” of gifts is more attractive
- An expansion of illiquid and non-stock assets
- New players in the sponsorship sweepstakes

Bitcoin volatility

The value of Bitcoin, the most common form of digital money, soared and receded between early 2017 and mid-2018.



Values are expressed in U.S. dollars.

Chart: The Conversation, CC-BY-ND • Source: [Coindesk](#) • [Get the data](#)

XRP volatility







The value of XRP, the second-most common form of digital money, soared and receded between early 2017 and mid-2018.



Values are expressed in U.S. dollars.

Chart: The Conversation, CC-BY-ND • Source: [Yahoo Finance](#) • [Get the data](#)



School	Value of donor-advised funds*	Minimum donation
Stanford	 \$520m	\$1m
Harvard	 210	\$1m
Cornell	 180	\$100k
Yale	 100	\$5m
Notre Dame	 80	\$500k
Dartmouth	 40	\$250k

Source: Bloomberg, 12/12/18



Risks for fundraising professionals

- Donor-advised fund sponsors could bring in funds that sit unused
- Donor-advised funds may hold risky investments that lose value
- Need to appeal both to donors and sponsors
- Need to thank donors (with proper non-tax language)
- Distributions from DAFs can't meet pledges or pay entry fees
- Need policy on anonymous gifts



Opportunities for fundraising professionals

- Establish your own DAF
- Work with DAF sponsors for visibility and “endorsement”
(e.g., Columbus Foundation Giving Store)
- Work with donors whose funds sit in a DAF for whom the marginal cost of giving is small
- Encourage donors to use DAFs to maximize tax benefits of giving