regent atlantic

COMMUNITY • FOUNDATION • OF • NEW • JERSEY

Brian Kazanchy | CFP®, CFA, MBA | Managing Partner and Wealth Advisor | RegentAtlantic

TOP 10

10 REASONS YOU SHOULD CONSIDER DONOR-ADVISED FUNDS

July 21, 2015 As a Wealth Advisor, I work regularly with clients who have a great interest in making donations to charity. Although they could easily write checks to their favorite nonprofits, I usually suggest my clients look into using Donor-Advised Funds (DAFs) instead.

DAFs, if you're not familiar with them, are typically administered by community foundations like the Community Foundation of New Jersey (CFNJ) or certain financial institutions. When you participate in these funds, you're able to donate cash or investments and get a tax deduction that same year.

However, unlike direct donations to a charity, you get to choose when you'd like your money to actually flow to your favorite nonprofits — this year, next year, or even decades from now. If you delay the actual disbursal of your donations (what's known as "recommending grants"), your money or the value of your donated investments remains invested in your DAF as long as you wish, continuing to fluctuate and potential grow on a tax-free basis.

Here are the TOP 10 REASONS I think DAFs are a better way to make charitable gifts:

1. **Upfront tax deductions, with a time-delay benefit.** Like other charitable contributions, you qualify for a tax deduction for your cash or appreciated investment during the current tax year, subject to your income limits. If you've had an extremely profitable year and wish to "front-load" your charitable contributions in that particular year, you can make generous donations to your DAF. However, your contributions don't need to flow to charities immediately. See point #2.

2. **Flexible timing for recommending grants.** Say you've made your contribution and taken your tax deduction, but you need more time to research the charities to which you'd like to give. Your money can remain in your DAF until you decide. Also, if you donated appreciated investments, you can split the value of that investment and donate funds to multiple charities rather than just a single one. (See #8 "Ability to gift appreciated stocks.")

3. **Expertise available from the DAF organization.** DAF administrators can suggest specific organizations in need of donations, and let you know how effectively they use their grants. You don't have to do all the research yourself.

4. **The chance to create a family legacy.** You can utilize a DAF in much the same way you'd use a family-run foundation. You establish and name the fund, and invite family members to contribute funds in the name of your extended family. As you age or after your death, you can direct another family member to manage your family's DAF as your successor.

5 **The opportunity to teach younger generations about philanthropy.** Once you've funded a DAF with donations, you can invite your children or grandchildren to help you decide which particular charities to help each year. Since the money is already out of your estate and unavailable to family members as inheritances, they can more easily make objective decisions about donations.

6 **Ease of maintenance compared to a private foundation.** DAFs relieve you of the requirements to maintain a foundation's detailed accounting system, prepare annual reports, submit regular tax filings and more—all of which can be time-intensive and costly. You can focus on your core goal of philanthropy rather than the logistics of running a foundation.

7 **Anonymous gifting options.** If you prefer to keep your donations private, your gifts can be channeled through the foundation or financial institution. DAF administrators aren't required to disclose the sponsoring source of the donations.

8 **Ability to gift appreciated stock — even to charities not set up to receive shares.** When you donate investments to your DAF, your administrator may liquidate the shares in order to reinvest them. As such, when you recommend a charitable grant to a nonprofit from your DAF, the organization will receive a cash donation rather than an investment share.

9 **Gifting convenience.** I tell my clients that recommending grants from your DAF is very similar to online banking. You can set up an online list of preferred charities, log into your account whenever you like and automatically send a monetary gift of almost any amount to a nonprofit with just a few clicks of your computer mouse.

10 **"In Memoriam" fund options.** If you'd like to establish a fund in the name of a friend or family, it's usually simpler to do so via a DAF than to establish a trust. Both family and non-family members can contribute to the memorial DAF while still getting tax deductions for their donations.

For more information on whether a DAF would work for you, consult your financial planner or tax professional.

For more info, please contact

Community Foundation of New Jersey

PO Box 338
Morristown, NJ
07963-0338

T **973.267.5533**