



Donor Advised Funds Local Issues. Local Solutions.

Donor Advised Funds (DAFs) are a unique philanthropic tool. They allow donors to establish accounts at institutions, such as community foundations, and remain involved in supporting the causes and issues they care about. Community foundations oversee and manage funds on behalf of families or individuals and, in many cases, have the discretion to direct some of the resources to priority causes the foundation identifies.

Together, DAFs and community foundations are bringing local solutions to the causes and issues that matter most.

THE THREAT

Despite the benefits DAFs bring to communities, proposals have been discussed in Congress that would challenge the fundamental and long-standing value of endowed philanthropy. One misguided proposal would require a DAF to exhaust its funds within five years or pay an annual 20 percent excise tax penalty on remaining money. **Shortsighted policies could significantly diminish use of the fastest growing giving tool, reduce charitable giving among a diverse group of donors, and threaten communities' ability to quickly respond to local needs.**

KNOW THE FACTS

The Council on Foundations enlisted the **Urban Institute's Center on Nonprofits and Philanthropy** to collect new data on DAFs. The **Urban Institute** surveyed community foundations to understand more about both DAFs and the donors who use this philanthropic tool. This survey is the first to take an in-depth look at the relationship between the foundations and donors, the profile of the donors themselves, and the impact of DAFs on communities across the country. The results highlight key facts about DAFs:

- ▶ **DAFs help community philanthropy endure.** DAFs help increase the impact of charitable giving and build access to long-term philanthropic resources in our communities, allowing assets to be used to address immediate needs or support future development. DAFs ensure funds are available during hard times, much like a community savings account. **During the Great Recession, DAFs allowed community foundations to sustain and even increase charitable giving at a time when individual giving plummeted and communities were most in need.**

- ▶ **DAFs encourage lasting civic engagement.** More than 70 percent of foundations report the average age of a DAF donor is between 46 and 64 years old. This signals that DAFs are an important **entry point for planned, strategic philanthropic giving and long-term community involvement.** For example, 81 percent of foundations report donors serve on the foundation's board, or in another leadership role; 68 percent of foundations report donors help address pressing community needs; and, 42 percent of foundations report donors help anticipate emerging community needs.
- ▶ **DAFs build stronger communities.** DAFs are flexible, allowing community foundations to quickly respond to local needs. DAFs have been used to support everything from emergency response efforts to community economic development. The survey collected compelling stories that showcase how DAFs are uniquely designed to encourage donors to become active in identifying and solving local problems:

 **EDUCATION**

The foundation conducted several focus group meetings that determined that **our community needed a prekindergarten program. Two donors stepped up to the plate to fund this program through the DAF.** This summer, approximately 160 students attended thanks to the collaboration with the local literacy group, the school corporation, the community foundation and our donors.

 **SHELTER**

With our homeless shelter in danger of closing, we made the largest grant ever to save it. In response to the press coverage of our decision, **several donor advisors made substantial grant recommendations to the same purpose.** The shelter continues today under new leadership in large part because of [this] community support.

 **COMMUNITY**

Community needs often rise at times when the economy is in recession. During 2010, many donors saw a drop in their incomes and assets. However, **the donors who had given to DAFs were able to donate to local food banks, shelters, and employment programs** because they made gifts to their funds during more prosperous years.

 **SMALL BUSINESS**

A donor created a \$1 million micro loan fund to make loans to start-up businesses, focusing on women and minorities. These are generally borrowers who would not have been eligible for bank financing.

- ▶ **Community Foundations take seriously the obligation to protect donor investments.** The majority of community foundations voluntarily self-regulate through the National Standards for U.S. Community Foundations™ program. This peer-driven voluntary process includes a review of community foundations' DAF policies and procedures to ensure the community foundation exercises their exclusive control over all funds, gifts and grants with donor input. DAFs build stronger communities, encourage civic engagement, and empower foundations to respond immediately to local needs.

TAKE ACTION

Congress must uphold current law regulating DAFs so that communities can continue to benefit from the generosity of local donors.