



# **A Fundraiser's Guide to Donor-Advised Funds**





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Growing your nonprofit's impact directly correlates to engaging with donors on their terms. One of the most significant opportunities in modern philanthropy is donor-advised funds (DAFs). DAFs offer donors a simple, flexible, and tax-efficient way to manage their giving. For nonprofits, understanding and tapping into this growing trend is key to nurturing meaningful relationships with donors who use these vehicles.

This e-book is designed to help you understand DAFs from a fundraiser's perspective. We'll cover how DAFs work, their benefits, and how your nonprofit can engage with DAF donors to increase support for your mission. Whether you're new to DAFs or looking to enhance your current strategies, we're here to partner with you, providing insights to help you succeed.

## What is a donor-advised fund?

A donor-advised fund (DAF) is a flexible and tax-smart way for donors to give back. Administered by a third party known as a charitable sponsor, which is a 501(c)(3) organization like a public charity or community foundation, donors contribute to a fund and recommend grants to support nonprofits they care about. The charitable sponsor awards these grants and the funds support nonprofit operations, programs, and services.





## The rise of DAFs

While DAFs have been around since the 1930s, they experienced tremendous growth in recent decades, making them one of the fastest-growing giving vehicles today. For fundraisers, it's essential to not only cultivate relationships but also understand the methods donors use to give, like DAFs. Knowing why donors choose a DAF can lead to deeper engagement and more meaningful connections. With millions of DAF accounts receiving tens of billions annually, DAFs will continue to be a growing philanthropic option for the foreseeable future. This guide is intended to help fundraisers tap into DAFs and speak to the donors who choose them. For the latest data on DAFs, check out reports published by [The National Study on Donor Advised Funds](#).

# Primary benefits of DAFs

Donor-advised funds offer several benefits to donors that make them a popular choice for philanthropic giving. These include:

- **Ease of setup:** DAFs are simple to set up for philanthropists, with limited paperwork or via an online form in a matter of minutes.
- **Immediate tax benefit:** Donors receive a federal tax benefit during the year the gift was made.
- **Tax-free growth:** Assets in DAFs can be invested and any growth is tax-free. This means that more money is generated for charities, increasing the donor's philanthropic impact.
- **Flexible funding options:** There are many ways for donors to contribute to DAFs, such as cash, stocks, real estate, and cryptocurrency.
- **No payout requirement:** Unlike private foundations, there is no legal [payout requirement from DAFs](#). However, in practice, DAFs pay nearly four times the rate of private foundations, despite having only one-tenth of the assets.

## Four reasons donors choose DAFs

In addition to learning the primary benefits of DAFs, fundraisers need to understand some reasons why philanthropists use them. This knowledge will help your team integrate DAFs into your nonprofit's overall fundraising strategy.

Donors may wish to:

### 1. **Make a difference while maximizing their impact.**

Since funds are invested and grow over time, more funds are available to disburse to charities. Also, the annual payout rate for DAFs (more than [20%](#) of assets) is higher than that of private foundations (a minimum of [five percent](#) of assets). DAFs recommend grants regularly, across economic cycles. Even during the [Great Recession](#), DAF donors maintained the same payout rates, meaning DAFs can be a steady, dependable source of philanthropic capital for fundraisers. To further expend funds and maximize impact, DAF sponsors allow donors to establish recurring grants; typical intervals are monthly, quarterly, and annually. As an example, at the country's largest DAF sponsor, [more than a quarter](#) of all DAF grants are pre-scheduled or recurring. This "set it and forget it" option is attractive to donors who want to provide regular support to their favorite charities.





## 2. Streamline their charitable giving.

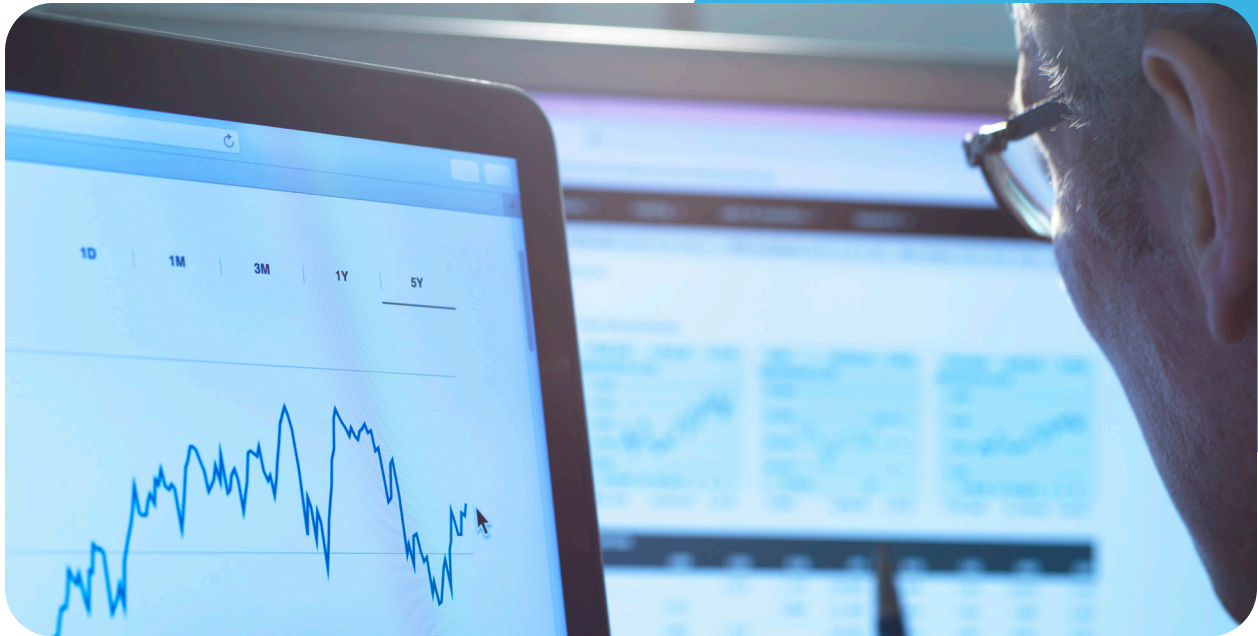
In the age of technology, people expect almost everything to be convenient and instant, including their giving. DAFs serve as a simple charitable giving account for donors. Some donors use their DAFs to give to many different organizations, and some give to just one charity. DAFs can offer a “one-stop shop” for donors. Consider this common example:

***A donor experiences a financial windfall. She makes a significant contribution to a DAF, offsetting her tax liability. She only gets one tax receipt for the initial gift and can make as many grants to as many charities as often as she desires until the DAF balance hits \$0. She also has the option to invest DAF dollars, which grow tax-free without requiring any additional filings.***

DAFs alleviate administrative burdens for donors, such as comprehensive recordkeeping.

### 3. Donate complex assets.

There are many ways for donors to give back, especially those who are looking beyond donating cash-only assets. For example, a donor may wish to contribute stock, tangible property, or cryptocurrency. These complex assets can be cumbersome and costly to the donor and to charities that need to vet, accept, process, and liquidate various types of gifts. DAFs allow these donors to donate these complex assets easily. The DAF sponsor accepts the asset, conducts the due diligence, liquidates it, and then funds a DAF with the proceeds. The donor then uses those liquid funds to support their favorite charities. Additionally, since DAF sponsors are public charities, contributing appreciated assets to them means significant tax savings which in turn provides more to the nonprofit.



### 4. Leave a legacy.

Many philanthropists think about their legacy as well as their family's involvement in charitable giving, including how future generations will continue to give back. Creating a sustainable giving vehicle for families to use is often a motivating factor in choosing a DAF. This allows families to continue to support their favorite charities beyond their lifetime. Donors often have the opportunity to name a fund after their family or create a succession plan for their DAF to ensure funding sustainability. Succession planning options depend on the DAF sponsor's policies. Family members can play a role in the DAF process, serving as primary or successor advisors of a DAF, where they may share advising privileges around grantmaking and investment recommendations.

**Fundraising tip:** For fundraisers, connecting with children of DAF donors is a good engagement strategy. You should keep this in mind as you evaluate ways to cultivate your donor pipeline. If one of your major donors gives through a DAF, ask whether their family members serve as an advisor. If so, consider a family-friendly stewardship event where you connect with both your donors and their loved ones, so you can cultivate the next generation of philanthropists. If your organization has a Young Friends or Junior Board, you might consider engaging DAF donors' children there, too. You may also think about including content about how donors can talk to their children about philanthropy in your planned giving material and appeals.

# Recommended fundraising practices for DAFs

Whether your organization is newly established or just becoming familiar with DAFs, it's important for your team to understand best practices around how to receive DAFs.

## 1. Understand the role of your organization, the charitable sponsor, and the donor.

DAF funding does not follow the traditional donor cultivation and solicitation process. Therefore, it's important to understand the role of everyone involved so you can engage the charitable sponsor and donor accordingly. Sometimes you have access to the donors, and sometimes you don't know them personally. Be sure to research charitable sponsors and make notes in your database based on what you find or what you learn from documentation provided with a gift you received. Most charitable sponsors follow similar processes, but some have their own policies and procedures surrounding DAF funding. You may find that it's not recommended to solicit a charitable sponsor directly. This may result in coding this organization as "Do Not Solicit" or "Do Not Mail" in your relationship management system (CRM).





## 2. Have general knowledge of DAF rules and guidelines.

While donors will typically work with their tax and financial advisors, it is important for fundraisers and their teams to have a general understanding of DAFs, especially related to receiving funds as well as how to best work with charitable sponsors and donors. Below are some examples and tips:

- Review IRS [guidelines](#) and [new requirements](#) periodically.
- Stay on top of legislation that might impact DAFs, such as potential [reforms](#).
- DAFs cannot typically be used to fulfill an individual donor pledge, and there are some [practices](#) worth checking out.
- DAF funds can't be used to purchase tickets to events, and the funds cannot provide benefits to the donor.

## 3. Credit both the charitable sponsor and the donor for the DAF gift.

When you receive a gift from a donor-advised fund, the charitable sponsor is the official donor, so the gift should be recorded on their record (e.g. Vanguard Charitable Endowment). The gift should also be added to the donor who recommended the grant as a "soft credit." Typically, the owner of the donor-advised fund will be identified as the grant-maker, unless the donor has requested that the gift be made anonymously.

## 4. Send thank you notes, accordingly.

When your organization receives a DAF gift from the charitable sponsor, there is usually a letter that explains details about the gift and how to properly acknowledge and/or express gratitude for the gift. Sometimes, you will receive instructions to not send a separate thank-you note to the donor, and sometimes you will be provided with instructions on how and where to send a thank-you note to the donor. If you do thank the donor specifically, be sure to thank them for recommending the grant and note these actions in your database.

**Fundraising tip:** Thanking donors is an important part of all donor journeys. Learn more about philanthropic gratitude [here](#).

## 5. Leverage DAFs to maximize long-term revenue.

Like other fundraising revenue streams, DAFs are charitable vehicles that can benefit nonprofits and donors both now and in the future. Below are some ways donors might like to make an impact over time.





### ***Recurring gifts***

Many DAFs allow the donor to recommend recurring annual grants. This eliminates the need for the donor to initiate the grant each year. Asking a donor to make a recurring grant will significantly increase the likelihood of the donor's continued support.

### ***Major gifts***

Donors who give through a DAF are some of your best major gift prospects. By setting up and funding a DAF, a donor demonstrates a great commitment to philanthropy and capacity. While some DAF sponsors have low thresholds to establish a DAF account, many funds have a sizable balance. Treat and cultivate DAF donors the same way you would any other major gift donor, but ensure that your organization has practices that are tailored to DAFs. If a DAF account has a \$100,000 balance, and your organization defines a major gift as \$10,000, even a percentage of the fund would significantly impact your mission.

### ***Planned gifts***

Planned giving can be uncomfortable for fundraisers to discuss with donors. Since DAFs have built-in succession plans, they offer a way to start the conversation. Research DAF sponsors and their succession policies. Almost all DAF sponsors offer grantmaking to charitable beneficiaries as a succession option. In fact, at smaller DAF sponsors, it may be the only option. To be named a charitable beneficiary of a DAF, consider engaging DAF donors with your planned giving appeals. For DAF sponsors that offer an endowment structure for the DAF, this can be a way to sustain regular gifts from annual donors even after their lifetime.

## 6. Promote DAFs as a giving option.

While you may not always have direct access to donors or a charitable sponsor, it's important to promote DAFs as a charitable giving method. By promoting DAFs as a part of your development planning efforts, you are letting current and prospective donors know that your organization is prepared to accept this gift type. Be sure to include DAFs in your solicitation materials, including your website. Adding language like "recommend a grant from your donor-advised fund" in your appeals and reply devices - the same way you include requests for checks or credit card information - is a good fundraising practice. This demonstrates a sophisticated understanding of funding sources, further building your trust with donors. This strategy also provides a way to identify donors who have a DAF. Record this information and consider segmenting DAF donors so that your appeals and recognition approaches can be customized to their method of giving.

Did you know? Recently, nearly 60% of DAF grants were allocated for general operating support, often a high-priority funding category for nonprofits.

## 7. Assess your organization's ability to accept DAFs.

Conduct an assessment of your organization's ability and willingness to accept different types of assets, including DAFs. In most cases, your organization does not need a brokerage account, to manage the sale of assets, or provide paperwork for recognizing the gift. Through a donor-advised fund, your organization will just receive a check for the proceeds. Simple as that! Oftentimes, explaining DAFs to your staff is all you need to do. When these types of gifts are received, your organization should be ready to process and recognize them accordingly.

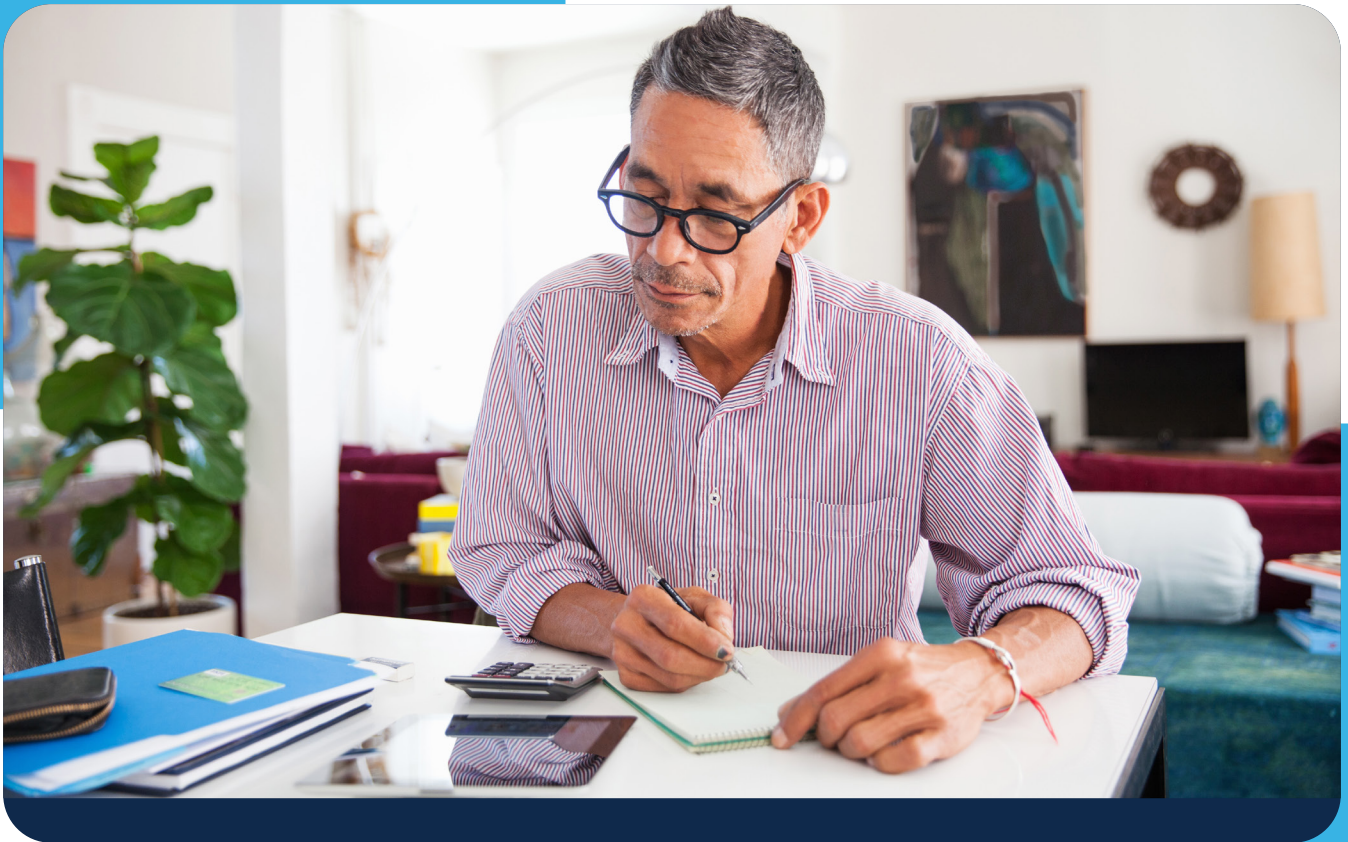
Did you know? An average of 87% of charities that ask for a donor-advised fund gift receive a contribution within 3 years, compared with 42% of nonprofits that do not ask. Simply soliciting a DAF gift increases your likelihood of receiving one by 45%!



# Summary

Donor-advised funds are a great option for people who are passionate about giving but may not have a specific plan for how, when, or where they want to donate. Some donors know exactly which organizations they want to support and start making grant recommendations right away. Others open a DAF as part of a long-term giving strategy, taking their time to decide how to maximize their charitable impact. As a fundraiser, it's important to understand both types of donors and tailor your outreach accordingly. By becoming familiar with how donors use their DAFs, you can have meaningful conversations that strengthen relationships and boost support for your mission.

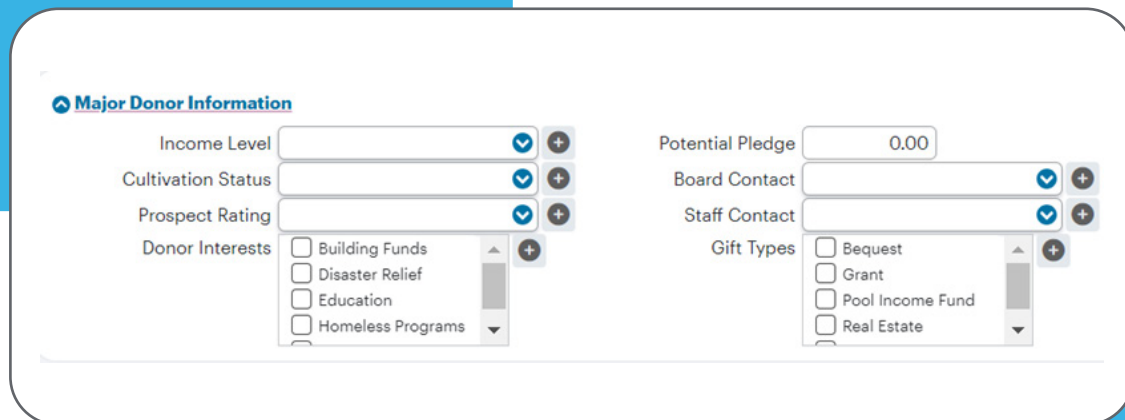
Creating a focused plan to engage DAF donors is a smart way to tap into this growing resource. Using the strategies and tips in this e-book, your organization can raise more funds from donors who choose DAFs as part of their giving journey.



# DonorPerfect can help you manage DAFs

When you credit a grant from a donor-advised fund to a charitable sponsor in DonorPerfect, you should also soft credit the donor who recommended the grant. Soft credits recognize the role a donor plays in recommending or facilitating a gift, even if the funds are directed through another entity. This ensures that the donor's contribution is properly linked to both the charitable sponsor's record and the grant itself, making it easy to reference, track, and report on these gifts. You can also code charitable sponsors, DAFs, and donors accordingly in the system. For details on how to record this information in DonorPerfect, reference our knowledgebase article, [Tracking Donor-Advised Funds](#).

Instantly (and effortlessly) send personalized acknowledgments. With Insta-Merge, you can store template letters for both charitable sponsors and donors that will auto-fill their information and acknowledge their gifts the moment a grant is received. This smart feature helps build relationships while making personalized communication simple and seamless.



The screenshot displays the 'Major Donor Information' form in DonorPerfect. The form is organized into two main columns. The left column contains fields for 'Income Level', 'Cultivation Status', and 'Prospect Rating', each with a dropdown menu and a plus icon. Below these is the 'Donor Interests' section, which includes a list of checkboxes for 'Building Funds', 'Disaster Relief', 'Education', and 'Homeless Programs', with a plus icon to the right. The right column contains fields for 'Potential Pledge' (a text input with '0.00'), 'Board Contact', and 'Staff Contact', each with a dropdown menu and a plus icon. Below these is the 'Gift Types' section, which includes a list of checkboxes for 'Bequest', 'Grant', 'Pool Income Fund', and 'Real Estate', with a plus icon to the right. The form is set against a white background with blue accents.

**Major Donor Information**

|                    |   |   |
|--------------------|---|---|
| Income Level       | <input type="text"/>  | + |
| Cultivation Status | <input type="text"/>  | + |
| Prospect Rating    | <input type="text"/>  | + |
| Donor Interests    | <input type="checkbox"/> Building Funds<br><input type="checkbox"/> Disaster Relief<br><input type="checkbox"/> Education<br><input type="checkbox"/> Homeless Programs | + |
| Potential Pledge   | <input type="text" value="0.00"/>   |   |
| Board Contact      | <input type="text"/>  | + |
| Staff Contact      | <input type="text"/>  | + |
| Gift Types         | <input type="checkbox"/> Bequest<br><input type="checkbox"/> Grant<br><input type="checkbox"/> Pool Income Fund<br><input type="checkbox"/> Real Estate                 | + |



## About DonorPerfect

DonorPerfect gives you all the tools you need to engage, inspire, and retain your donors. Designed to help your organization grow, DonorPerfect's core CRM system expands to incorporate growth tracks that support fundraising and donor management initiatives like online fundraising, donor engagement, fundraising events, donor retention, and more. From online giving solutions with integrated payment processing to email and mobile marketing tools to highly customizable reporting, DonorPerfect empowers your team to work better together on a single platform, learn what makes your donors move, and cultivate the relationships that will make your mission a reality.

For more information about DonorPerfect, scan the QR code, contact your Regional Account Manager at: [\(800\) 220-8111](tel:8002208111), [info@donorperfect.com](mailto:info@donorperfect.com), or visit [donorperfect.com](https://donorperfect.com).

