

Anyone can create a legacy of giving

The low costs and simplicity of donor-advised funds make it easier to give

Chances are you have a cause near and dear to your heart. Maybe it's supporting the arts or protecting animals. And you'll happily write a check when you can. But did you know it's fairly simple to establish your own fund dedicated to the charities you believe in? Plus, you don't have to be Bill or Melinda Gates to do so. It's called a donor-advised fund (DAF), and it offers some significant benefits for philanthropists in all tax brackets.

First, you don't have to be a millionaire to establish yours. In many cases, you can start your own DAF for as little as \$10,000 in cash, securities or other types of assets. And you can name it whatever you wish. In effect, you're creating a de facto family foundation with no legal expenses or administrative and tax reporting requirements.


Second, your contributions can be deducted from your tax return in the

year they're made, but you don't have to distribute the funds until you're ready. In fact, the entire account can grow tax free for as long as you want, potentially allowing you to give more to your preferred organizations over time.

Plus, any amount that cannot be deducted in the current year can be carried over for up to five years. The amount of the deduction depends on several factors, including the amount of the contribution, the type of property donated and your adjusted gross income (AGI). A qualified tax professional can help you determine your specific deduction. In addition, your federal estate tax liability could be minimized with every contribution since donated funds will no longer be part of your taxable estate.

You also retain the right to advise the fund on how your irrevocable contributions will be invested, and you can make recommendations on which charities will receive your largesse.

The gift of time

But it's not just the monetary savings; DAFs also can save you time. These funds don't require a formal board or quarterly meetings. DAFs simplify recordkeeping and giving by using your contributions to make grants to charitable organizations on your behalf, confidentially if you prefer. And as already noted, those grants don't have to be distributed by a certain deadline. You have all the time in the world to select the charities that are right for you; there's no minimum amount that must be granted each year. Beyond the time and tax benefits is a personal one. A donor-advised fund allows you to enjoy donating during your lifetime, so you can see your gift in action. You also can ask your loved ones to participate now as advisors, and you can name multiple successors to carry forward your legacy of giving. This gives you another opportunity to pass along your wishes, values and interests to the next generation. 

How donor-advised funds work

