

The DAF Advantage

A few important ways this overlooked instrument can serve your charitable side

Maybe you've been thinking a lot lately about how your money can best serve others. You've seen art funding cut at schools and remember how inspiring Mrs. Waltrip's fourth grade art class was to you. You see young people in your community not getting the chance for higher education and still remember how those college courses and friendships still serve you today. You wonder if there's a strong financial vehicle which could allow you to help some of these problems through charitable giving.

How about a donor-advised fund?

Often overlooked, a donor-advised fund is not only easy to set up but creates a greater tax benefit for you than paying the charity directly out of pocket. In addition, you can deduct as much as 50% of modified adjusted gross income (your gross minus certain deductions) when giving cash. Stocks even allow for 30% modified adjusted gross income and you even avoid paying what can sometimes be a costly capital gains tax. Donor-advised funds even allow you to take your income tax deduction now.

But it's not just the savings of money—it also saves you time. These funds don't require forming a board or conducting meetings—they even allow you to avoid choosing the charity now, in case you haven't found your inspiration and still want to investigate. Or, how about this for freedom? There isn't even a mandatory yearly contribution.

A wonderful bonus is that it can even be a family affair. Help your loved ones know your wishes and your interests by getting them involved as advisors. This creates at least a yearly opportunity to discuss where everyone thinks the money should go and reminds you one more time what you are—a team. And, who knows, maybe they'll even come up with some ideas for giving that you never considered!

Take Your Time

The fact is no one knows the future of the charitable tax deduction or what the cap will be for a tax-free estate. What we do know is donor-advised funds allow a guaranteed benefit now without the immediate pressure to choose where your money goes.

The decision to give to a specific charity is an important one—emotionally and financially. Take the time to decide when it feels right for you, not when it feels right for a deduction.