

The Donor Advised Fund – Part 1

A Flexible Giving Fund with Many Applications



WHAT IS A DONOR ADVISED FUND?

A Donor Advised Fund (DAF) is a “charitable giving fund” that functions much like a private foundation but without the cost and red tape. Anyone can establish a Donor Advised Fund with the

Dallas Seminary Foundation with as little as \$5,000 cash, stock, real estate, or other approved assets. Donors realize tax benefits in the year of the donation. They can then advise the Foundation to make charitable distributions over time from the fund. Funds in the DAF can grow income-tax-free while awaiting distribution.

HOW DOES A DONOR ADVISED FUND COMPARE TO A PRIVATE FOUNDATION?

While Donor Advised Funds and Private Foundations serve the same purpose, there are differences worth noting. One significant difference is that of **cost and administration**. Private Foundations require substantial fees to establish and maintain. They can take weeks or months to establish, and they require a board and ongoing administration. They also require the filing of a separate tax return. Further, it is recommended that they be funded with at least \$5 to \$10 million to justify initial and ongoing costs.

On the other hand, the Donor Advised Fund costs nothing to set up. It can be created in one day with as little as \$5,000. And all administration is handled by Dallas Seminary Foundation.

Consider the following significant differences as well. **Private Foundations** do not offer privacy protection, are subject to self-dealing rules, business holding restrictions, and excise tax on investment income. Deductions for cash donations are limited to 30% of one’s AGI for the current tax year, and deductions for appreciated assets are limited to 20% AGI. Contributions of private stock and real estate are deductible only at cost basis.

However, the DAF is not subject to the same restrictions, and tax treatment is more generous. Deductions for cash donations are allowable up to 60% of AGI, and deductions for appreciated assets are allowed up to 30% of AGI. Also, appreciated assets can be deducted at their full fair market value.



WHY SHOULD YOU CONSIDER A DONOR ADVISED FUND?

Donor Advised Funds have many uses and applications. Some of the most notable reasons our donors have discovered for establishing a Donor Advised Fund include:

- **Tax Management**
- **Name Recognition or Anonymity**
- **Large Gifts to Multiple Charities**
- **Estate Bequests**
- **Family Involvement**

In future articles, we will elaborate on these points. We will elaborate further on the many applications and benefits of a Donor Advised Fund and discuss situations in which they might make sense. ***Think about the difference you can make and the good you can do for the cause of Jesus Christ!***