

The Donor Advised Fund – Part 2

Why Consider a DAF?



WHAT IS A DONOR ADVISED FUND?

In a previous article, we defined Donor Advised Funds and outlined a few applications for using such a fund. In this article, we're going to dig a little deeper into their various uses and applications.

To review, a Donor Advised Fund is a “charitable giving fund” that functions much like a private foundation but without the cost and red tape. They can be established through 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 their donation. They can then advise the Foundation to make distributions over time from their fund to the charities of their choice. Another benefit of a DAF is that funds can grow income-tax-free while awaiting distribution.

WHY SHOULD YOU CONSIDER A DONOR ADVISED FUND?

Donor Advised Funds offer a variety of beneficial applications. Here are some common reasons our friends are glad they established a DAF:

- **Tax Management**

At year-end we often think of taxes. You may wish to make a generous year-end donation to take advantage of the deduction for that tax year, but you may not know where you would like to distribute those funds. [The DAF allows for the year-end deduction while allowing plenty of time to research and decide where you would like the funds to go.](#)

Another issue worth considering is the potential fluctuation of tax brackets from year to year. Your income may be higher in some years due to a bonus, the sale of a high-value asset such as real estate or a business, or an unusually successful year. In such years, you likely have more disposable income. You may also find yourself in a higher tax bracket. In other years, your income may be modest or even lower due to factors such as retirement. In these years, you likely have less disposable income and may be in a lower tax bracket.

[The DAF allows you to control the tax bracket at which you take your deductions](#), creating the potential for considerable tax savings. You can make additional donations to your DAF in the high-tax-bracket years when the deduction is more valuable and there is more cash flow for ministry investments. In the lower-tax-bracket years, when the deduction is less valuable and cash flow is limited, distributions can be made *from* the DAF to supplement gifts from income.



- **Name Recognition or Anonymity**

Some donors attach their names to their DAF, such as *The Livingston Family Fund*, or *The Dan and Linda Wright Donor Advised Fund*. This choice bears witness of their philanthropic values and encourages others in their giving. Other donors choose to give anonymously for reasons such as a simple desire for confidentiality; a wish to help others in need without their knowledge; or minimizing future correspondence from the organization.

- **Lifetime Gifts to Multiple Charities**

Situations sometimes arise that warrant large charitable donations. Take, for example, the sale of a rental property or other real estate, or the sale of a business. Many have discovered the value of donating such assets (or a fractional share) prior to sale. This allows for the bypass of the capital gains tax while providing a deduction on the fair market value of the gift. There may be other reasons for large gifts, including disposing of an asset one no longer wishes to keep. [Because of the size of the gift, many see wisdom in distributing the proceeds among several ministries and perhaps even spreading out those distributions over time. The DAF provides this flexibility.](#)

- **Bequest Gifts to Multiple Charities**

Faithful Christians desire to leave a meaningful and lasting legacies for future generations. Consequently, many have chosen to include their churches, ministries, and missionaries to some degree in their estate plans. This is often done by naming these charities in their will or Revocable Living Trust, or as primary or contingent beneficiaries on life insurance policies, annuities, or retirement plans such as IRAs, 401(k)s, and 403(b)s.

Yet, from time to time, God changes our hearts' desires by aligning us with new opportunities in which to engage in His work. If so, we can avoid spending the additional time, effort and expense of an attorney visit simply to change our charitable beneficiaries.

[You can name your DAF as the beneficiary of all of your charitable gifts.](#) You would then provide instructions to Dallas Seminary Foundation, listing the charities you wish to receive these bequests after death. Whenever you need to make changes, you need only communicate your new wishes to the Foundation rather than visiting the attorney and drafting new documents.

- **Family Involvement**

Many parents realize the importance of passing along their philanthropic values to their children and future generations. Investing in eternal endeavors is not only a privilege we value, but also a mindset we wish to instill in our family members.



The DAF is a tremendous tool for doing just that. As funds are contributed to your DAF, the obvious question arises: “Where should it go?” Rather than making that decision on your own, you may want to schedule regular meetings with family members to engage them in the process. You might ask everyone to research the ministries that appeal to them and give a report at the next meeting. From there, families can decide together how to make distributions.

A friend of the Seminary shared, “This is what our family did when our kids were growing up. We still do this together as adults. It’s been an amazing way to expand our view of God’s work in the world and grow in trusting God’s provision to accomplish all He intends.”

You may even wish to continue your DAF following your death, allowing children and grandchildren to continue this practice of research, evaluation, and grant-making. [What a tremendous way this could be for teaching stewardship to others!](#)

Think about the difference you can make and the good you can do for the cause of Jesus Christ!