

WHERE SHOULD I SET UP MY DONOR-ADVISED FUND?

WHY THE SPONSOR YOU CHOOSE MATTERS MORE THAN YOU THINK

Donor-Advised Funds (DAFs) have become one of the most widely used tools in charitable giving—and for good reason. They offer flexibility, simplicity, and tax efficiency while allowing donors to pursue thoughtful, strategic generosity over time. Dallas Seminary Foundation frequently works with families who use Donor-Advised Funds as a central part of their charitable planning.

Yet one of the most important decisions in establishing a DAF is often overlooked: choosing the right organization to sponsor and administer it. Because your sponsoring organization holds legal control of your fund and final authority over your grants, this decision carries long-term financial and practical implications.

First, let's take a look at how Donor-Advised Funds work.

WHAT IS A DONOR-ADVISED FUND?

A Donor-Advised Fund is a charitable giving account established with a qualified public charity, which serves as the sponsoring organization. When you contribute to a DAF, your gift becomes an irrevocable charitable contribution, and you receive an immediate income tax deduction (subject to IRS limitations). While the funds now legally belong to the sponsoring organization, you retain the ability to recommend grants from your account to other qualified nonprofit ministries and charities over time.

In many ways, a DAF functions like a charitable checking account:

- You contribute assets.
- The sponsoring organization administers the fund.

- You recommend grants to ministries and charitable organizations.
- The remaining balance can be invested for potential tax-free growth.

This structure allows donors to separate the timing of the tax deduction from the timing of the charitable impact, offering tremendous flexibility.

HOW A DONOR-ADVISED FUND WORKS

Establishing and using a DAF is intentionally simple:

1. Open the Fund

You establish a DAF with a sponsoring organization such as a community foundation, faith-based foundation, or a national charitable organization affiliated with a financial institution.

2. Make a Contribution

You contribute cash, appreciated securities, real estate, or other assets.

3. Receive an Immediate Tax Deduction

You receive a charitable tax deduction in the year of your contribution, even if you plan to distribute grants gradually over future years.

4. Recommend Grants

You recommend grants to qualified charitable organizations as needs and opportunities arise.

5. Invest for Future Growth

Funds not yet granted can be invested, potentially increasing the future charitable impact of your generosity.

For many families, this flexibility makes a DAF the perfect tool for tying together tax planning, generosity, and long-term stewardship.

WHY DONORS LOVE DONOR-ADVISED FUNDS

Donor-Advised Funds are popular because they offer several key advantages:

Simplicity and Efficiency

All charitable activity flows through one account, reducing paperwork and recordkeeping.

Immediate Tax Benefits

Donors can take full advantage of deductions in a high-income year—even if grants are made over many years.

Powerful Asset-Giving Opportunities

Gifts of appreciated securities allow donors to avoid capital gains tax while maximizing charitable impact.

Family Discipleship and Legacy

DAFs provide a meaningful way to involve children and grandchildren in prayerful, charitable decision-making.

Strategic, Intentional Giving

Rather than reacting to needs, donors can build long-term giving plans that reflect their values and calling.

THE CRITICAL IMPORTANCE OF CHOOSING THE RIGHT DAF SPONSOR

While the mechanics of Donor-Advised Funds are similar across providers, the mission, values, and policies of sponsoring organizations vary significantly. This is where discernment becomes essential.

Some sponsors are large national organizations connected to the financial industry. Others are community foundations or faith-based charitable organizations. Each brings a different worldview, governance structure, fee schedule, investment philosophy, and grant approval process. And this leads to one of the most important realities every donor should understand.

YOUR GRANT RECOMMENDATIONS ARE SUBJECT TO APPROVAL

The sponsoring organization legally owns the assets in your Donor-Advised Fund and retains final authority to approve or decline every grant recommendation.

Most grants are approved routinely. However, if a donor recommends a grant to an organization that does not align with the sponsor's policies, mission, theology, or legal standards, the sponsor can decline the request.

This is not merely a theoretical concern. It happens. And when it does, it can be deeply frustrating for a donor who assumed that all future grants would be honored.

WHY VALUES ALIGNMENT MATTERS DEEPLY

If your heart is aligned with

- biblical teaching and discipleship,
- Christian education and theological training,
- missions and global evangelism,
- gospel-centered mercy ministry, and
- faith-based social impact,

then it is vital that your DAF sponsor shares those priorities and convictions.

A sponsor whose worldview differs significantly from your own may someday restrict grants to ministries that are essential to your vision of faithful stewardship. On the other hand, a faith-aligned sponsor understands your charitable intent at its core—not merely as a transaction, but as an expression of worship and obedience to Christ.

THE ROLE OF DALLAS SEMINARY FOUNDATION

At Dallas Seminary Foundation, we work closely with donors who use Donor-Advised Funds as part of their overall stewardship plan. We regularly help donors:

- Evaluate how the sponsoring organization best aligns with their faith and values,
- Understand how to integrate a DAF into a broader giving and estate plan,
- Establish and utilize a DAF, should they choose Dallas Seminary Foundation as their sponsor organization, and
- Coordinate grants effectively in support of the ministries they love.

Our role is to walk alongside you as a trusted guide—helping ensure that your generosity is accomplished with wisdom, clarity, and confidence.

ADDITIONAL FACTORS TO CONSIDER WHEN CHOOSING A SPONSOR

Beyond faith and values alignment, donors should also consider:

- Fee Structure - Are administrative fees reasonable and transparent?
- Grant Processing Speed - Will your gifts reach ministries quickly and reliably?
- Investment Options - Are they flexible and applicable to your needs?
- Donor Experience - Is service personal and relational, or purely transactional?
- Legacy Provisions - What happens to your DAF after your lifetime?

Each of these elements can significantly shape your long-term experience as a donor.

A TOOL FOR GENEROSITY—WHEN CHOSEN WITH DISCERNMENT

Donor-Advised Funds are remarkable tools. Used wisely, they simplify generosity, enhance tax efficiency, promote family discipleship, and magnify the impact of faithful giving.

But a DAF is only as effective as the organization that administers it.

Because your sponsoring organization holds legal control of your charitable assets and final authority over every grant, it must be one you trust—not only operationally, but spiritually and missionally as well.

When your DAF sponsor shares your commitment to biblical truth, gospel-centered ministry, and faithful stewardship, your Donor-Advised Fund becomes far more than a financial tool. It becomes a lasting instrument of Kingdom impact—today and for generations to come.

Dallas Seminary Foundation can serve as another set of eyes and ears. Our Will & Trust Planning Ministry provides no-cost, no-strings-attached assistance in evaluating your goals and assessing your plans. Please contact us to learn more. Estate and gift planning information and proposals are offered as a service to our donors. Communications with Gift Planning staff are not intended as, nor should they be construed to be, legal or tax advice, and are offered for illustrative or educational purposes only. Donors are encouraged to seek legal and/or tax advice from their professional advisors prior to making any planned gift.