

TAX AND WEALTH ADVISOR ALERT: DONOR-ADVISED FUNDS, A GREAT WAY TO DO CHARITABLE GIVING

Donor-advised funds, or DAFs, are a popular way for individuals to support charitable organizations they care about while also receiving potential tax benefits. A DAF is essentially a charitable investment account that allows individuals to make a tax-deductible donation and then invest those account funds for tax-free growth. The individual can then recommend grants to virtually any IRS-qualified public charity.

Creating a DAF is simple and straightforward. First, an individual must establish a “giving account” with a public charity. Many financial institutions and community foundations may also be the sponsoring organizations of these accounts. Second, the individual must make a donation of cash, securities, or other assets to the giving account. This donation is generally eligible for an immediate tax deduction. Finally, the funds in the giving account can then be invested for tax-free growth.

One of the benefits of a DAF is that it allows individuals to see their donation grow over time. Most sponsoring organizations offer a variety of investment options for the charitable dollars in the giving account. This means that individuals can choose an investment strategy that aligns with their goals and risk tolerance.

Another benefit of a DAF is that individuals can support virtually any IRS-qualified public charity with grant recommendations from the account. This includes local homeless shelters, alma maters, religious institutions, and more. The public charity sponsoring the account will conduct due diligence to ensure that the funds are used for charitable purposes.

In conclusion, DAFs are a great way to support charities you care about while also receiving tax benefits. They are easy to set up, offer tax-free growth, and give you the flexibility to support virtually any IRS-qualified public charity at a pace that is comfortable for you. If you are looking for a way to make a meaningful impact on the causes you care about, a DAF may be an excellent option for you.

For more information about donor-advised funds, contact Carl D. Holborn at carl.holborn@wilaw.com.