

The Donor Advised Fund (DAF)

There is an account that can be established that will receive contributions for the benefit of other charitable organizations. It's called a Donor Advised Fund (DAF), and it is available through several foundations. I serve on the board of one such foundation, Christian Foundation of the West (CFW). You can open a DAF account with a contribution of funds (typical minimum is \$10,000), and then direct the foundation to make grants to the charities of your choice. You can also allow funds to accumulate for future grants and still get the tax deduction benefits in the current year.

Technically, the funds are no longer yours once you place them into the DAF, thus the immediate tax deduction. You direct the grants of those funds by advising the foundation's board as to the specific charities and amounts. You cannot take any of the funds back out of your DAF for personal use in the future.

The donation of appreciated assets to a foundation with a DAF program offers advantages over gifting directly to the ultimate charity. An asset transfer can fund a Donor Advised Fund and then you, the donor, can recommend grants to the specific charities. By contrast, donating long-term appreciated assets directly to individual charities requires working separately with each of those charities, which may take substantial time and effort. In addition, some charities either do not accept appreciated securities at all or will only consider them for very large donations.

In summary, your contributions to your Donor Advised Fund provide all the tax benefits mentioned above, and the charities of your choosing also benefit tremendously. The capital gains taxes that you would have been paying to the government are forgiven; in addition, you receive the full tax deduction of the amount transferred to the Donor Advised Fund. These added tax savings can increase the amount you have available for even greater generosity