



American Endowment Foundation

How to Choose the Right Donor Advised Fund

Over the last decade, the growth of donor advised funds (DAFs) has been increasing at a rapid rate. Their simplicity to set-up, flexibility, and tax-saving capabilities have proven to be an excellent tool in estate planning & business exit strategies. However, choosing the best DAF for a donors' circumstances can be as varied as the different charities that they choose to support.

The following **seven questions** will allow a potential donor and their advisor to determine what DAF may be the best choice for their interests:

Question #1: “Are you affiliated with any other organization?”

Is the organization that sponsors a donor advised fund affiliated with another entity (for-profit or non-profit)? How might these affiliations help or hinder the donors' use of a fund now or in the future?

Question #2: “What kind of contributions can be made?”

What types of assets are eligible for contribution, e.g. cash, marketable securities, closely held securities, real estate, and life insurance?

Question #3: “What kind of investments can be made?”

What investment choices are available to the donor and their advisor? Are contributions pooled (meaning that the dollars donated are pooled with other donors for investment purposes?) Or can the dollars be managed in a separate investment account by the donors' existing financial advisor?

Question #4: “What kind of grant distributions are allowed?”

Are there restrictions on grant distributions, i.e. geographic, religious, etc.? Is there a minimum annual distribution requirement that the donor must give, or a maximum annual limit that restricts how much can be given away?

Question #5: “What kind of succession is allowed?”

How flexible are the provisions for succession upon the death of the donor? Is involvement limited to the donor and their spouse? Or can the donor name other successive advisors?

Question #6: “Is there online access available to the DAF account?”

Does the program offer the ease of secure online access to the account and the ability to make grant disbursements online?

Question #7: “What are the costs?”

Is there a set-up fee or termination fee? What is the annual administrative fee? Are there hidden fees in the fine print, such as minimum account level charges? Does the organization require a certain portion of the fund to be set-aside for its own purposes? Most importantly, will they allow you to transfer the fund in the future to another DAF administrator, or are your funds held permanently by the initial administrator?

Asking these seven questions before opening a donor advised fund will give the insight needed to make charitable giving as tax-smart, flexible, and enjoyable as possible.