

The popularity of the donor-advised fund (DAF) has become a national movement in charitable giving. In recent years, one of the biggest charities by donations from the public was Fidelity Charitable, a donor-advised fund sponsoring charity. By one estimate, contributions to all donor-advised funds in 2016 alone exceeded \$23 billion – yes, that’s billion with a “b.” And if you think donor-advised funds are only for the wealthy, you can establish a fund at many sponsoring charities for as little as \$5,000. Middle class donors who make relatively modest but regular annual gifts to favorite charities are starting to take note of the donor-advised fund.

How it works

A donor-advised fund is a giving vehicle administered by a public charity. A donor contributes cash, stock, or other assets and receives an immediate tax deduction for the gift. The sponsoring organization invests and manages the assets while the donor can suggest grants to qualified charities and nonprofit organizations on his or her timeframe. DAFs are becoming an increasingly popular way to make a charitable gift because of the tax benefits and the ease of making a gift once the fund has been established.

Making a Gift with a Donor-Advised Fund

Depending on your philanthropic and financial goals, there are two simple ways to make a gift through your DAF:

- Make an outright gift by suggesting a grant to Texas Methodist Foundation.
- Designate Texas Methodist Foundation, Tax ID 74-1363741, to receive a portion of the fund value upon the termination of the fund.

Creating a Donor-Advised Fund

Creating a donor-advised fund can provide you with immediate tax benefits while making your charitable giving easier for years to come.

You establish a fund at a sponsoring charity. This could be a community foundation, a public charity with a donor-advised fund program, or even one of the well-known investment companies that sponsor donor-advised funds.

First, check with the fund sponsor about the minimum contribution to start a fund as it ranges from \$5,000 to \$25,000. Also, review the rules for grants from the fund. Then, make an initial contribution to start your fund of cash or appreciated assets such as stocks or mutual funds. You’ll get an immediate income tax deduction and some sponsors will even let you name your fund.

Once established, you can suggest that your favorite public charities, such as Texas Methodist Foundation, receive grants from your fund. The grants can be relatively modest or larger for projects such as a capital campaign or a new building.

You do not get an additional tax deduction for these grants. You can also suggest which charities you want to have any remaining assets in your fund at your passing. If you are considering establishing a donor-advised fund we can suggest several fund sponsors for your review. You should also consult your professional advisor for their guidance.

We are here to assist

If you have questions please contact our Office of Family Philanthropy at 512-583-1944, or by sending an email to JGould@tmf-fdn.org.