

Donor-Advised Funds: Tips for Managing Your Charitable Giving

A donor-advised fund (DAF) is an easy and efficient way to give to your favorite charities. But what is the best way to maximize giving through a DAF? And are there any legal restrictions or tax implications? This guide can help you understand when you can use your DAF to support a special fundraising event, a scholarship or other type of charitable cause.

ACTION / EVENT	PERMISSIBLE	NOT PERMISSIBLE	GUIDELINES
<p>Charity Event</p> <p><i>For example:</i></p> <ul style="list-style-type: none"> - Gala - Luncheon - Golf Outing - Dinner - Trip - Festival 	<ul style="list-style-type: none"> • You may recommend a grant to support the charitable event generally by indicating in the grant purpose that: You are not attending; <i>or</i> • If you plan to attend, please state that you are paying the fair market value out of pocket. This is necessary even if the charity has separated out a 'tax-deductible' portion of the ticket price. • In either case, your recommendation should clearly state that you waive all benefits associated with the event. 	<ul style="list-style-type: none"> • A grant cannot pay for any part of a ticket to attend a gala or charitable event, including any 'tax-deductible' portion of the ticket. 	<ul style="list-style-type: none"> • Donors may not split a donation to a charity by paying the non-deductible part out of pocket and recommending a grant from the DAF to pay the fully deductible part because such a grant would enable the donor to receive benefits that would not be available without the grant.
<p>Membership Benefits</p> <p>For supporters of a charity who are charged membership or subscription fees by that charity as part of their membership</p>	<ul style="list-style-type: none"> • You may recommend a grant to cover the cost of membership to a charitable organisation: <ol style="list-style-type: none"> (1) If you will not receive any personal benefit; <i>or</i> (2) The organisation confirms that its membership fee is to be used for charitable purposes and that membership benefits do not exceed £25 if the membership is less than £1,000 or £50/\$75 if the membership is greater than £1,000; <i>or</i> (3) You indicate in the grant purpose section that you have declined any benefits associated with the membership. 	<ul style="list-style-type: none"> • A grant cannot provide you with membership benefits with a value exceeding £25 for memberships less than £1,000 or £50/\$75 if the membership is greater than £1,000. 	<ul style="list-style-type: none"> • Charities often offer economic benefits to donors – for example, parking privileges, attendance at special events, tickets to sporting events, free or discounted membership. These types of benefits are often associated with giving levels. • NPT Transatlantic is not able to process any grant that will result in a "more than incidental benefit" to a donor. • Donors should contact NPT Transatlantic to check whether a grant can be made to cover the cost of membership to a charity, if they are unsure whether membership would result in a personal benefit.
<p>US Private Foundations</p>	<ul style="list-style-type: none"> • You may recommend grants to organisations which are US private operating foundations if: <ol style="list-style-type: none"> (1) the organisation does not pay any compensation to the donor or the donor's family members; <i>and</i> (2) the donor and the donor's family members do not control the organisation or occupy a majority of the board. 	<ul style="list-style-type: none"> • NPT Transatlantic DAFs cannot make grants to US private, non-operating foundations. 	<ul style="list-style-type: none"> • NPT Transatlantic DAFs can make grants to US private, operating foundations so long as certain conditions are met: <ol style="list-style-type: none"> (1) the organisation does not pay any compensation to the donor or the donor's family members; <i>and</i> (2) the donor and the donor's family members do not control the organisation or occupy a majority of the board.

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Scholarships	<ul style="list-style-type: none"> You may recommend a grant for the purpose of supporting a scholarship program administered by a charity and with respect to which the donor does not determine the selection of recipients. 	<ul style="list-style-type: none"> Grants cannot support scholarships where you or members of your family have discretion over the selection of scholarship recipients or where family members are eligible recipients. 	<ul style="list-style-type: none"> Donors must relinquish control over any funds they donate to NPT Transatlantic. A donor may not recommend a grant to a scholarship fund if the donor retains the right to select the recipient of the scholarship – such action would indicate retained donor control. Grants to support scholarship programs may be approved as long as donors, DAF advisors and related parties do not control the selection process and family members are ineligible to receive scholarships.
Charitable Auction	<ul style="list-style-type: none"> You may pay for charity auction items out of pocket and/or recommend grants to support the charity auction or the charity generally. 	<ul style="list-style-type: none"> A grant from the DAF cannot pay for an item you won or obtained at a charity auction. 	<ul style="list-style-type: none"> DAFs cannot make grants to pay for items or services purchased at a charity auction. In compliance with US and UK rules, DAFs are prohibited from processing any grant that will result in a more than incidental benefit to the donor. Receiving an item that was paid for by the DAF constitutes a more than incidental benefit.
New American Charities	<ul style="list-style-type: none"> You may recommend a grant to an US public charity that has been in existence for more than five years. If the US public charity has been in existence for less than five years, it must meet certain requirements. 	<ul style="list-style-type: none"> A grant to a US public charity that has been in existence for less than five years cannot be made if the charity is controlled by the donor and members of the donor's family and makes no attempts to fundraise. 	<ul style="list-style-type: none"> A grant from NPT Transatlantic cannot be used to bolster the public support of US charities that otherwise would not meet the US public support test.
Global (non-UK or US) Charities	<ul style="list-style-type: none"> Charities outside of the UK and US are eligible DAF grantees if they meet certain requirements. 	<ul style="list-style-type: none"> Time-sensitive grants to charities outside of the UK and US. These grants require special due diligence. 	<ul style="list-style-type: none"> In compliance with US and UK rules, NPT Transatlantic DAFs can make grants to charities outside of the UK and US following regulations of both the Charity Commission and the IRS (expenditure responsibility or equivalency determination). Please contact NPT Transatlantic to determine the best method for processing a grant to a charity outside of the UK or US.