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# 2018 UK Donor-Advised Fund Report

**“ NEVER DOUBT  
THAT A SMALL GROUP OF  
THOUGHTFUL, COMMITTED  
CITIZENS CAN CHANGE  
THE WORLD. INDEED, IT IS  
THE ONLY THING  
THAT EVER HAS. ”**

**– MARGARET MEAD**

This report was prepared by National Philanthropic Trust UK in collaboration with Cath Dovey, an independent consultant and co-founder of the Beacon Collaborative, which seeks to increase the level of philanthropy and social investment in the UK. National Philanthropic Trust UK gratefully acknowledges all of the organisations that shared their donor-advised fund statistics and information.

# *Introduction*

**Dear Colleagues,**

National Philanthropic Trust UK is pleased to publish our third annual UK Donor-Advised Fund Report. Donor-advised funds are philanthropic vehicles held within a charitable organisation that function much like a charitable savings account. Donors can make an irrevocable charitable contribution, receive immediate tax relief and then recommend charitable grants from the fund over time.

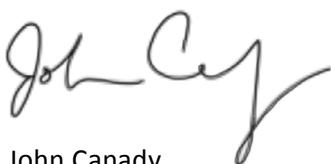
Using 2017 data compiled from domestic charities—both large and small—that offer donor-advised funds, our report examines the UK donor-advised fund market. The scale and reach of these charities varies, but they are united in promoting giving and making grants to a wide range of charitable causes.

There were record benchmarks in every data point in 2017: grants, contributions, and charitable assets.

- Grants from donor-advised fund accounts to other charities reached a record high at nearly £320 million.
- The aggregate grant payout rate from donor-advised funds was 30 per cent in 2017.
- Contributions to donor-advised funds increased to £481 million, or a 36 per cent increase compared with prior year's contributions. These contributions total 4.7 per cent of total individual giving in the UK.
- Charitable assets in donor-advised fund accounts total over £1.3 billion—an increase of 24% over the prior year.

Donor-advised funds have a major impact in the philanthropic sector. From the earliest donor-advised funds in the UK in the 1970s, to the growing sector we see now, every pound in donor-advised fund accounts is destined for charitable organisations. These record highs are good news for charities and their beneficiaries.

NPT-UK is pleased to make this report available to our partners in giving and the public.



John Canady

CEO

# *A Glossary of Terms*

## **CHARITABLE ASSETS**

The amount charitable sponsors hold and manage in donor-advised fund accounts. Some charitable sponsors manage other types of funds as well. This report is limited to assets in donor-advised fund accounts.

## **CHARITABLE ORGANISATION**

A charity. In the context of this report, a charitable organisation can be either a charitable sponsor of donor-advised funds or the recipient of a donor-advised fund grant. A UK charitable organisation is registered at the Charity Commission and a foreign charitable organisation is eligible to receive grants from the UK according to HMRC and Charity Commission regulations. Donations to a charitable organisation are eligible for tax relief. A charitable organisation serves broad public purposes in educational, religious, scientific, and artistic fields, among others, as well as the relief of poverty and other public benefit activities.

## **CHARITABLE SPONSOR**

A charitable organisation that manages donor-advised fund accounts. Charitable sponsors provide services to ensure that potential grant recipients are qualified charitable organisations and administer donor-advised fund accounts to ensure compliance with all regulations. Also called sponsoring charity or fund sponsor.

## **CONTRIBUTION**

Amount a donor donates to a donor-advised fund account when establishing the fund or adding money to it.

## **DONOR-ADVISED FUND**

A philanthropic giving vehicle administered by a charitable sponsor. A donor-advised fund allows donors to establish and fund the account by making irrevocable, tax-relieved contributions to the charitable sponsor. Assets in the account are invested based on the donor's recommendation. Donors then recommend grants from those funds to any other qualified charitable organisations.

## **GRANT**

A transfer of assets from a donor-advised fund account to a qualified charitable recipient.

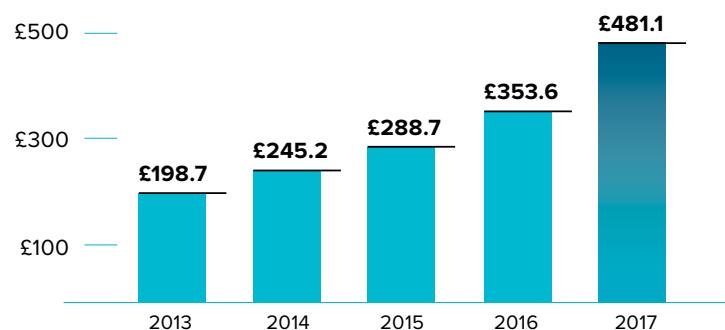
# Market Overview

**DONOR-ADVISED FUNDS GREW** substantially in 2017. Total charitable assets available for grantmaking are over £1.3 billion. The steady rise is a result of both an increase in contributions to donor-advised fund accounts and gains from investment returns. Grants from donor-advised fund accounts also rose as donors used this giving vehicle to support the causes and charities that mean the most to them.

## CONTRIBUTIONS AT ALL-TIME HIGH

Contributions to donor-advised fund accounts in 2017 totalled £481.1 million. This number surpasses the 2016 value of £353.6 million, an increase of 36 per cent. Contributions rose at a faster rate than the previous year, which was a 22 per cent increase.

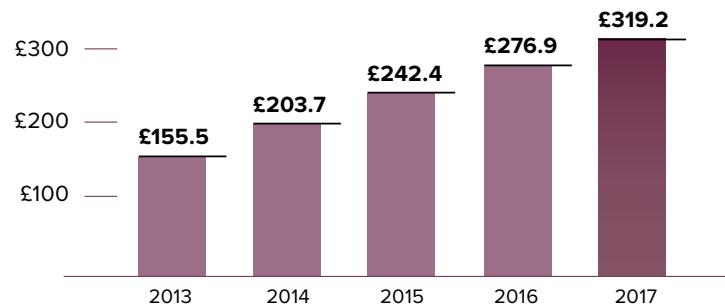
Contributions (Millions)



## GRANTS TOTAL £319 MILLION

Grants from donor-advised fund accounts to charitable organisations reached £319.2 million, the largest total over the past 5 years. This is a 15 per cent growth rate compared to a total for 2016 grants of £276.9 million.

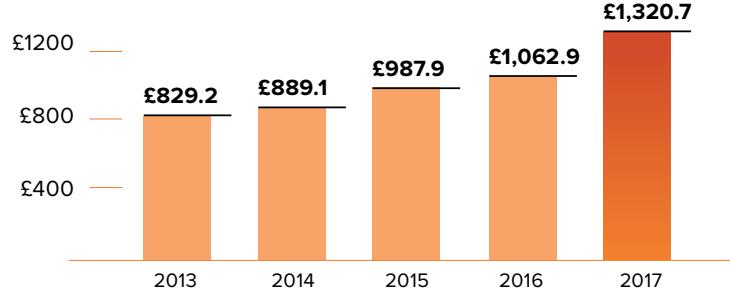
Grants (Millions)



## CHARITABLE ASSETS SURPASS £1.3 BILLION

Charitable assets under management in all donor-advised fund accounts totalled over £1.3 billion in 2017, an all-time high. This is a 24 per cent growth rate compared to 2016. It is also the fastest one-year growth rate in the last 5 years.

Charitable Assets (Millions)



# *Projections and Observations*

## **WHAT LIES AHEAD?**

The last several years have seen a tremendous growth in all donor-advised fund metrics, particularly in contributions. In five years, contributions to donor-advised funds more than doubled—the £481.1 million given in 2017 represents a 142 per cent increase over the total contributions in 2013.

We expect continued acceleration in contributions and assets as awareness of donor-advised funds increases among wealth managers, lawyers, and accountants. Wealth managers and large legal and accounting firms are adopting donor-advised funds as a tool for their clients, recognising how these charitable accounts fit within the context of a wider relationship. There is an opportunity for professional advisory firms who currently operate on a more transactional basis to deepen their relationship with clients by including donor-advised funds in their discussions.

Based on our own experience and observed trends at our peer charitable organisations, we have seen larger donor-advised fund accounts being opened this year, suggesting that donors are using the structure as a viable alternative to a charitable trust or foundation. We expect this trend to continue due to the increasing demand for structured approaches to giving in this global age of philanthropy.

In addition to cash, we anticipate that donors will increasingly donate appreciated shares or other types of assets to their donor-advised funds. Donors who contribute appreciated shares receive two tax benefits: the gifted shares are not liable for capital gains tax (CGT), and the donor can also claim income tax relief for the market value.

The economic uncertainty of Brexit remains a risk for the coming year. At the time of publication, it is unclear how leaving the EU will impact charitable giving in the UK. However, contributions to and grants from donor-advised funds have continued to grow in the two years since the vote for Brexit.

## **SUMMARY**

2017 marked a historic year for the growth of donor-advised funds in all the key metrics for donor-advised funds—total grant payments from them, total contributions to them and total charitable assets in them. The consistent growth demonstrates that donors and donor-advised funds are having a significant impact on the philanthropic landscape.

# *Methodology*

## **ORGANISATIONS**

This report examined nine charities registered at the Charity Commission of England and Wales that sponsor donor-advised funds.

## **PRIMARY DATA SOURCES**

The primary source for each charitable sponsor's assets, contributions, and grants is the organisation's Annual Report filed with the Charity Commission of England and Wales.

## **SECONDARY SOURCES**

The following served as secondary sources for the above data and cited statistics:

- Filings at Companies House
- The organisations' websites
- Survey responses from Charitable Sponsors
- *CAF UK Giving 2018*, Charities Aid Foundation

Projections are based on National Philanthropic Trust UK's experience and anecdotal evidence over the past year, in addition to observed economic and political conditions.

## **STANDARD FISCAL DATA BY FILING YEAR**

Since organisations have varied financial year-end dates, data was recorded in the filing year. For example, whether an organisation's fiscal year ends on 31 March 2017 or 31 December 2017, the data will be recorded as 2017.

## **PAYOUT CALCULATION**

Payout from donor-advised funds is calculated as the current year's grants divided by charitable assets held at the end of the prior year.



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