



DAF Perspectives for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

What Is a Donor-Advised Fund? Five DAF Facts That Advisors Need to Know to Help Their Clients Manage Their Giving

By John Canady, Chief Executive Officer

Private clients are increasingly turning to donor-advised funds (DAFs) as the vehicle of choice to manage their long-term giving. DAFs are used because of their simplicity and versatility, allowing donors to give what, how, when and where is most favourable to them.

A DAF is a philanthropic fund established under an umbrella charity that administers the fund on behalf of the donor. A DAF allows donors to make charitable contributions, receive immediate tax benefits, and then recommend grants from the fund over time.



DONOR CONTRIBUTES

Donor makes an irrevocable contribution and immediately receives the charitable tax benefit



ASSETS GROW

Donor recommends investments to grow charitable assets tax-free



CHARITIES BENEFIT

Donor recommends grants to qualified charities

As advisors, here are five things you need to know about DAFs to help your clients:

- 1. A DAF can be used by private clients as an alternative to setting up their own trust or foundation.** A DAF offers much of the same benefits: a donor can name the DAF what they wish. The donor then names the advisors to the DAF who have advisory privileges to recommend how the DAF assets are invested and recommend grants to charities anywhere in the world. Since the DAF is not a separate legal entity there is no separate board of trustees for the DAF. Successor advisors can also be appointed.
- 2. A DAF is very easy to set up and to manage.** The DAF service provider assumes all regulatory and reporting responsibilities so your clients can focus on their giving. A DAF can be set up in a matter of days and once open, there is no need for additional administration, filing of returns or monitoring of grants. The DAF provider takes care of this for your clients.

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3. **A DAF is a tax-effective way for your clients to manage their giving.** Gift receipts are issued for every contribution into a DAF. If your clients are UK taxpayers then Gift Aid is available. Higher rate tax payers may also make additional claims. Income tax relief is available for gifts of shares. If your clients pay tax in the UK and the US, some DAF providers including NPT UK, offer tax-effective dual-qualified DAFs too.
4. **There are a variety of investment options for DAF assets.** Your clients may advise their DAF provider on how they wish their charitable contributions to be invested, tax free. NPT UK offers a broad selection of pre-approved investments for lower value DAFs. For DAFs over £500,000 your clients may choose for DAF assets to be managed by an investment manager of their choice. Sustainable and impact investments that consider social and environmental factors as well as financial returns are also possible.
5. **Once a DAF is open, your clients can start supporting charities right away.** With a DAF your clients have the freedom to give to charitable organisations all over the world from one vehicle. The DAF provider takes care of the legal and operational due diligence needed to make the grant and can also provide follow up reporting on how your clients' contribution is making a difference.

DAFs are increasingly popular giving vehicles in the UK because they offer administrative convenience, cost savings and tax benefits. To find out more about how NPT UK can help your clients with a DAF solution, [contact us](#).

John Canady, CEO of National Philanthropic Trust UK, has 25 years of experience working across the business, nonprofit and government sectors. He specializes in creating and managing philanthropic funds for donors and family offices around the world who wish to base their philanthropy from the UK.

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