



DAF Perspectives for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

Charitable Trusts and DAFs, What's Best for Your Client?

By John Canady, Chief Executive Officer

Many of your clients may be ready to move beyond ad-hoc grantmaking to more structured philanthropy for several different reasons. Some may want to involve their family more, some may be going through a wealth event like receiving an inheritance or taking their company public and some may be driven by their passion for an important charitable cause.

While there are a range of charitable giving vehicles to consider, many clients will end up choosing between setting up their own charitable trust, also known as a charitable foundation, or using donor-advised fund (DAF). Both structures allow families to collaborate, make grants to charitable organisations and establish a philanthropic legacy. However, DAFs and charitable trusts have distinct differences. Here are key points to consider when helping your clients determine which one may work best for their philanthropic goals.

Ease of set up and operation: DAFs can be set up almost immediately whereas it can take several months to complete the necessary registrations for a charitable trust. In the UK, DAFs operate under the umbrella of a DAF provider that is a registered charity, so there is no need for a separate registration with HMRC or the Charity Commission. Both upfront and ongoing running costs are also significantly lower with a DAF as there are no upfront fees to set it up and the ongoing DAF charitable administration fee is usually much lower than administering a separate legal entity.

Saving time: The amount of time your client chooses to devote to running their philanthropy might help decide which structure is best. In addition to handling the day-to-day running of the organisation, a charitable trust must ensure it stays compliant with all necessary legal and regulatory rules, which often requires hiring staff or legal advice. It must also conduct the required due diligence on grant recipients, all of which can be time-consuming. The charitable sponsor of a DAF will handle all of this.

Employing staff and Board: Charitable foundations can hire their own staff, including family members, and appoint their own Board of Trustees. This brings added administrative and reporting duties. With a DAF there is no such responsibility; the fund is administered and all aspects of governance are handled by the sponsoring charity. The donor authorises someone to act as an advisor, usually the donor themselves, to recommend how the DAF assets should be invested and which grants should be made from the DAF. A DAF cannot hire its own staff.

Types of grants: A charitable trust will have more discretion when it comes to making grants, in ways that are not always available to DAFs. For instance, a DAF may not be used to make gifts to private individuals or to run operational programmes which employs staff and premises. However, if your client's intention is making straightforward grants to charitable organisations, then a DAF would be suitable.

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Anonymity vs public giving: If your clients want to be public in their giving, to enhance the family reputation for philanthropy or promote a cause by their connection with it, a foundation is a viable option. Clients can also be public when making grants from a DAF. However, DAFs also provide the option to give anonymously, should your client favour keeping their donations private, perhaps for religious or social reasons.

When helping your clients decide which charitable structure is best for them, remember that it won't necessarily be an "either/or" decision. Both vehicles have their advantages, depending on the specific needs your clients. Some donors choose to have both structures side by side.

For more information about how DAFs can help your clients achieve their philanthropic goals, [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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