



# 2021

*Donor-Advised Fund Report*



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. Oliver Nicholl-Dovell, Investment Operations Analyst, provided data analysis and research assistance.

National Philanthropic Trust UK gratefully acknowledges all of the organisations that shared their donor-advised fund statistics and information.

# INTRODUCTION



**NATIONAL PHILANTHROPIC TRUST UK** is pleased to publish our sixth annual *UK Donor-Advised Fund Report*. A donor-advised fund (DAF) is a philanthropic fund established under an umbrella charity who

administers the DAF account on behalf of the donor. A donor makes an irrevocable charitable contribution, receives immediate tax relief and then recommends charitable grants from the DAF account over time. The donor also recommends how the charitable assets are invested before being granted out.

Our 2021 *UK Donor-Advised Fund Report* examines data from 2016 to 2020 from UK charities that offer donor-advised funds. The findings confirm that donor-advised funds continue to play an important role in UK philanthropy. DAF donors respond quickly and generously in the face of pressing problems. This edition of the *UK Donor-Advised Fund Report* is noteworthy in that DAF donors' responses to the unfolding events of 2020 are not yet captured in the data. Some of the DAF providers report their financial results early in the year and therefore reported their results at the very beginning of the pandemic. Next year's report will provide a more holistic view.

In 2020:

- Contributions to donor-advised funds were £610 million, or a 0.4 per cent increase, compared with prior year's contributions.
- Charitable assets in donor-advised funds total £1.9 billion—an increase of 8 per cent over the prior year.
- The aggregate grant payout rate from donor-advised funds was 28 per cent in 2020 versus 31 per cent in 2019.
- Grants from donor-advised funds to other charities were £477 million, a slight decrease of 0.02 per cent over the prior year.

As awareness of these giving vehicles grows in the UK, donors and their advisors increasingly use donor-advised funds as the modern alternative to establishing a grantmaking charitable trust or foundation. Since every pound in donor-advised fund accounts is destined for charitable organisations, the rise in donor-advised funds is good news for British charities and charities around the world that receive grants from DAFs.



**JOHN CANADY**  
CEO, NPT UK

# 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, fund sponsor or umbrella charity.

## **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 donors' recommendations. Donors then recommend grants from those funds to other qualified charitable organisations.

## **GRANT**

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



# MARKET OVERVIEW

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The period we analyse in this report is fiscal year 2020. Charities operate on different fiscal year periods, which means the reporting period began as early as May 1st, 2019 for some charities and ended as late as December 31st, 2020 for others. The results this year are particularly affected by the timing of charities' annual accounts filings. Because some of the larger DAF providers report their results early in the year, the data does not yet fully capture the donors response to COVID-19 which occurred from the second quarter of 2020 onwards. For those charities who report early in the year, the data also corresponds to a period when the markets were dramatically down, following the onset of the pandemic.

In 2020, total estimated charitable giving in the UK was £11.3 billion, according to the [Charities Aid Foundation UK Giving Report](#). Contributions to DAFs totalled £609.8 million in 2020, which equates to 5.4 per cent of total individual giving in the UK.

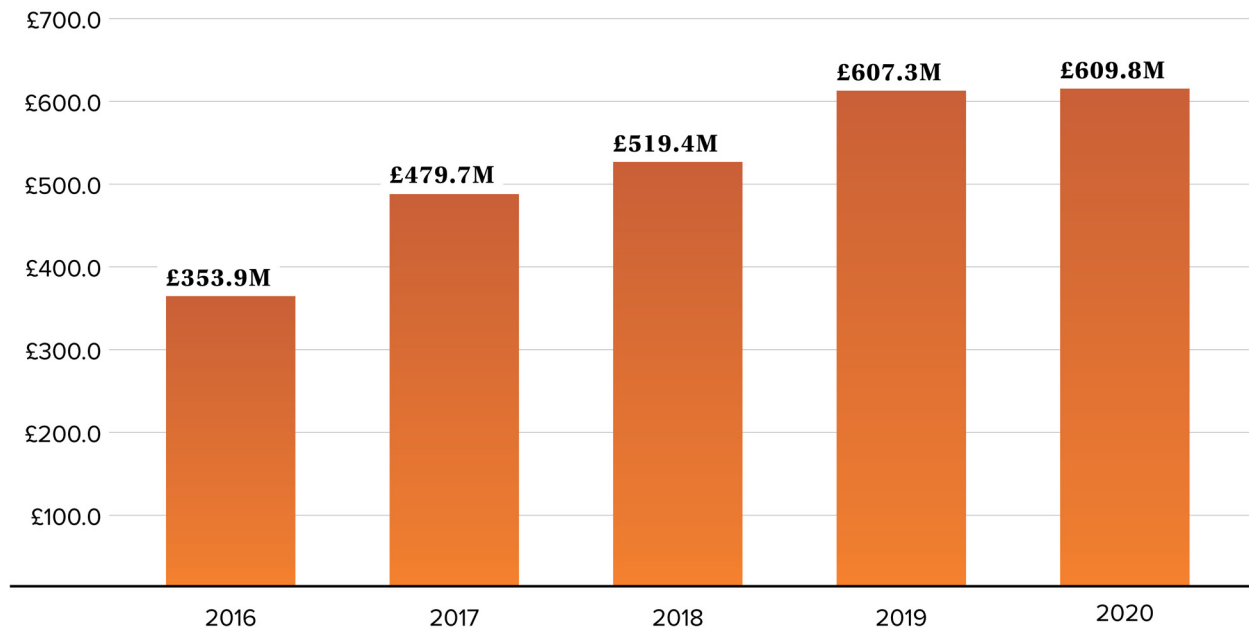
# MARKET OVERVIEW

## Contributions at all-time high

Contributions to donor-advised funds in 2020 totalled £609.8 million, an increase of 0.4 per cent. The compound annual growth rate was 14.6 per cent for contributions from 2016 to 2020.



**FIGURE 1** (In millions)



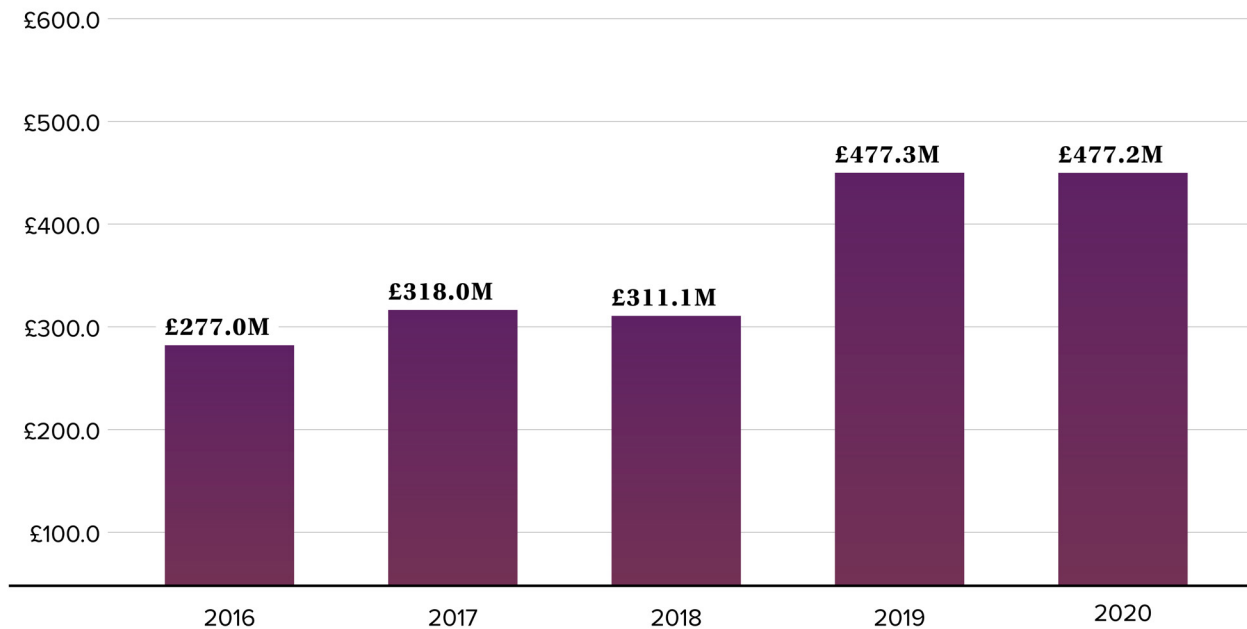
# MARKET OVERVIEW

## Grants total £477 million

Grants from donor-advised funds to charitable organisations totalled £477.2 million. The compound annual growth rate from 2016 to 2020 was 14.6 per cent.



**FIGURE 2** (In millions)



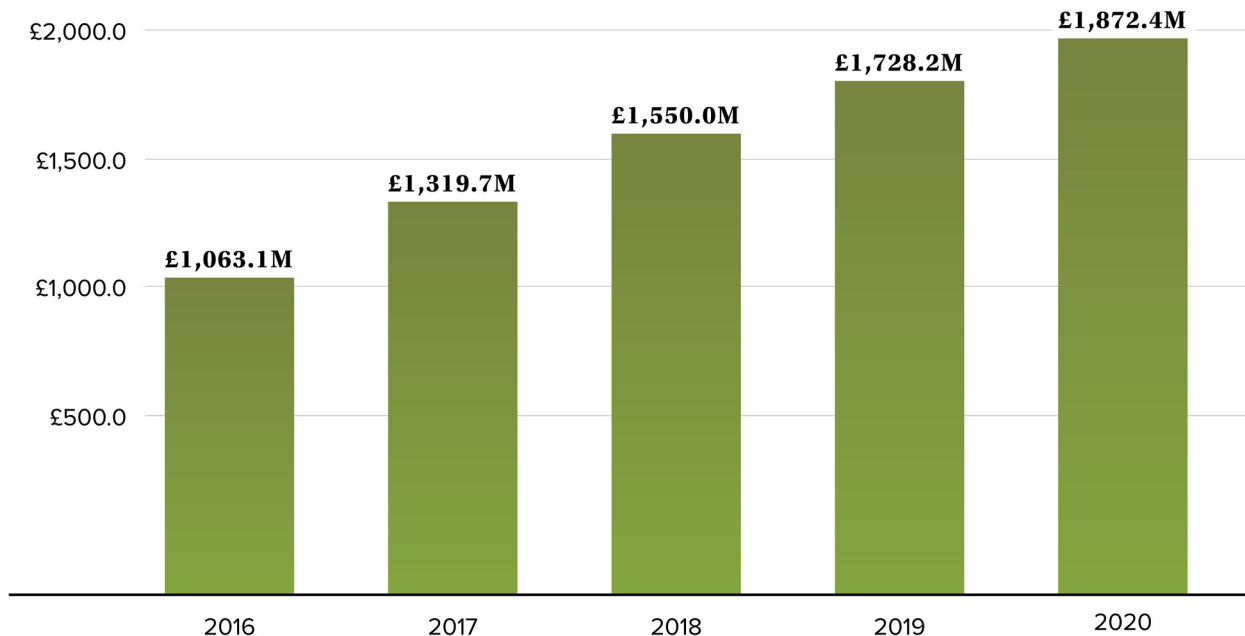
# MARKET OVERVIEW

## Charitable assets pass £1.8 billion

Charitable assets under management in all donor-advised funds totalled over £1.8 billion in 2020, an all-time high. This is an 8 per cent growth rate compared to 2019. The compound annual growth rate for charitable assets from 2016 through 2020 was 15.2 per cent.



**FIGURE 3** (In millions)





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**“ Donor-advised funds are becoming well-established as effective giving vehicles for active donors who want to support to their favourite charities. ”**

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# PROJECTIONS & OBSERVATIONS

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We are publishing this report in December 2021 in the midst of an ongoing pandemic. Looking back on 2020, the key metrics of grants and contributions remained relatively flat, while AUM grew. The data in this year's report is dramatically impacted by the different filing dates by DAF sponsors for their annual reports. We expect next year's report to provide a more holistic view on the philanthropic response to COVID-19. And we expect the long-term effects of COVID-19 on philanthropy from DAFs will continue to play out in subsequent reports for years to come.

# PROJECTIONS & OBSERVATIONS

## WHAT LIES AHEAD?

We expect growth in donor-advised funds given donors are increasingly searching for more structured approaches to manage their charitable giving and are increasingly using DAFs as an alternative to setting up their own charity, charitable trust or foundation. We also expect growth as awareness increases amongst the wealth managers, lawyers, and accountants who advise philanthropists.

We expect that grantmaking from donor-advised funds to charitable organisations will grow substantially next year when the full impact of pandemic giving will be measured.

Based on our own experience and observed trends at our peer charitable organisations, we have seen an increase in contributions of non-cash assets. For example, 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. We anticipate that donors will increasingly donate non-cash assets to donor-advised funds in the coming years.

We have also seen a rise in the use of donor-advised funds to ensure regulatory compliance. Regulations – particularly around trustee responsibilities and grantmaking due diligence – are constantly evolving. Using donor-advised fund ensures that a donor is assured of regulatory compliance with the latest regulations.

We have also seen international donors using UK donor-advised funds to manage their philanthropy and cross-border giving.

We expect growth to continue because donor-advised funds are convenient and can be used as a giving tool in so many ways – by different generations, across different geographies, and on all time horizons.

## SUMMARY

Donor-advised funds continue to grow in all key metrics. 2020 marks the eighth year in a row of growth in contributions to donor-advised funds. Grants from donor-advised funds have grown at a compound annual growth rate of 14.6 per cent between 2016 and 2020. Donor-advised funds are becoming well-established as effective giving vehicles for active donors who want to support to their favourite charities.

# METHODOLOGY

## ORGANISATIONS

This report examined eleven 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
- *UK Giving Report 2021, 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 2020 or 31 December 2020, the data will be recorded as 2020.

## 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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