

# DONOR ADVISED FUNDS

*Options for Smart Charitable Giving*

## WHAT IS A DONOR ADVISED FUND?

A donor advised fund (DAF) is a giving tool that provides you with immediate tax benefits and allows you to support the charities you choose by recommending grants over time.

DAFs provide a simple and efficient solution giving you the flexibility to take immediate action or create a long-term difference in your community. This option may also be appropriate as an alternative to private or family foundations.

## BENEFITS OF DONOR ADVISED FUNDS

- Create a giving tool that is cost-effective and easy to use
- Relieve the administrative burden of tracking receipts for charitable donations
- Give cash, highly appreciated stock, retirement account assets and distributions, life insurance or complex, and unusual assets (gold, crops, real estate)
- Name the fund after yourself or in honor of a family member or friend
- Support the causes you care about in Arkansas and beyond through a simple grant recommendation process
- Involve family in your philanthropy
- Give anonymously if you choose
- Avoid restrictions imposed on private foundations, like annual minimum distributions

## DAFs at a Glance

- Simple, flexible and efficient solution that allows you to support the charities you choose over your personal time horizon.
- Grants can be made to any eligible nonprofit organization in the U.S.
- With varying minimums to establish a DAF based on fund type, we offer a few different structures to meet your individual needs. (see table on reverse)



arcf.org

ARKANSAS  
community foundation



Smart Giving to Improve Communities

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**WHAT ARE THE TAX ADVANTAGES OF A DONOR ADVISED FUND?**

- Receive the maximum tax deduction available in the year the contribution is made
- Deduct the value of your gift for tax purposes, yet distribute grants on your own timetable
- Avoid estate taxes on gifts that you and your beneficiaries make to the Community Foundation
- Avoid costly capital gains taxes while realizing the maximum tax-deductibility of your donation with gifts of highly appreciated stock, real estate or other complex assets
- Avoid restrictions imposed on private foundations

**WHY PARTNER WITH THE COMMUNITY FOUNDATION FOR A DONOR ADVISED FUND?**

- We have more than 40 years of experience providing financial tools like donor advised funds, and our experience in the charitable landscape can help you make smart giving decisions to improve communities.
- We offer personalized donor services based on your needs and your charitable interests.
- We take a local approach to giving and work with leaders who understand Arkansas — local people, local decisions, local impact.
- Our minimal fees help support the communities you love. As a nonprofit grantmaking organization (rather than a for-profit investment firm), our fee is not given to shareholders, but rather re-invested in our state through foundation-directed grants and initiatives.

Types of DAF	Minimum to Establish	Fee*	Invested?	% Available to Grant to Nonprofits
Charitable Distribution Fund	\$1,000	2% of contributions into the fund	no	100%
Quasi-Endowed Fund	\$100,000	1.25% of annual fund balance	yes	Ability to grant any portion of the fund balance above \$50k in first 3 years; 100% thereafter
Endowment	\$10,000	1% of annual fund balance	yes	4%**

\*The Community Foundation fee structure lowers at break points above \$1million. See a complete fee chart for relevant fund balances.

\*\*An endowment's annual available spendable is determined by the Community Foundation's spending rate policy, which is currently calculated as 4 percent of the fund's average market value during the past 5 years.

**USING YOUR DONOR ADVISED FUND**

You can use your DAF to recommend grants to any eligible nonprofit organization in the United States (or an international organization with a home office in the U.S.). The Community Foundation can help you identify and vet qualified nonprofit organizations.

Federal income tax law prohibits DAF funds from granting to individuals or use when there is material benefit to the donor (compensation, expense

reimbursement, charitable event tickets or sponsorships). DAFs cannot be used to support athletic programs that offer benefits associated with the donation. Funds also cannot be used for donations to political campaigns or related organizations. Further, donors, advisors or related parties are prohibited from receiving grants, loans, compensation or similar payments (including expense reimbursements) from donor advised funds.