

Seeking DAF Gifts: What to Know and How to Start

Donor-advised funds are having a moment. [Eighty-one percent](#) of DAFs in a 2024 Donor Advised Fund Research Collaborative study were launched after 2010, and a quarter were created after 2020. Once an obscure way to donate to charity, DAFs are now mainstream and highly popular among wealthy individuals.

To keep up with giving trends, savvy fundraisers and nonprofit leaders must understand how DAFs work — and how to forge ties with people who give through them. Otherwise, you risk leaving money on the table.

The largest commercial DAF sponsor, Fidelity Charitable, granted [\\$10.3 billion](#) to nearly 186,000 nonprofits during the 2023 financial year. Those coffers are nowhere near empty. Last year, donors poured \$12.6 billion in cash and other financial assets into DAFs at Fidelity Charitable, according to a financial summary from the organization.

DAFs have inspired both celebration and critique. Proponents say the funds are a useful way for donors to plan their giving, grow their charitable dollars in the stock market, and enjoy a tax break. Opponents complain that people who open these accounts are not required to disburse minimum funds each year, as a foundation is, so there is no incentive for donors to send the money along to charities.



What's the **marketing secret** to increase charitable gifts from **DAFs**?

The key is making sure donors **understand how DAFs work** and helping them understand the **importance of succession planning** for their DAF funds.

Read PG Calc's latest guide to understand why this is so important:

The Secret to Marketing for DAF Gifts: The Importance of Succession Planning:
marketing.pgcalc.com/daf-marketing



PG Calc is the planned giving division of Foundation Source, the leading provider of charitable giving technology, administration, and expertise. For 40 years, PG Calc has been the most trusted name in planned giving, offering the expertise that empowers charities to grow their planned giving programs.

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What Is a DAF?

Put simply, a donor-advised fund is a kind of savings account for charitable giving. Donors open an account with one of various sponsoring nonprofits — commonly community foundations, charitable arms of financial institutions, and universities — which hold the funds and, in many cases, invest those dollars in the stock market.

Donors can establish their DAFs as either endowed or non-endowed. When a DAF is endowed, its sponsoring organization sets aside a share of its value to fund grants each year and invests the rest. If a DAF is non-endowed, its sponsor is generally not required to ensure money remains in the account year to year — though some sponsors require DAF accounts to maintain a minimum balance.

DAFs are more than just a vehicle for individual giving. More than one person can contribute to a DAF, and several people can make grants from a single fund.

Any disbursements of funds from a DAF — endowed or not — must be approved by the sponsoring organization, and the distributions are made in that institution's name, not the name of the individual who set up the account. However, these grants are not necessarily made anonymously. Often nonprofits receive a memorandum with a DAF grant, instructing them on how to use the money and including information

about the individual(s) who created the account and have advised the sponsor to make the grant.

Money deposited into a DAF is eligible for a tax-deduction in the year in which it is added to the coffers — not the year in which it is granted out to a charity. This is a benefit to donors because they receive a tax benefit in the short term but can decide which charities will receive the money over the long term. This is one reason why DAFs often are associated with more sophisticated philanthropists.

The tax break can encourage donors to put more money into their DAFs, instead of leaving it in a savings account, which in turn means more dollars for charity. Diana Reid, director of development and alumni relations at CT State Manchester, a Connecticut community college, says DAF gifts to her institution tend to be larger than traditional major gifts. She puts that down to the tax benefits of DAFs. “They’ve got that pot of money that’s just sitting there that they can use to make those gifts,” she says.

Multiple People Can Contribute to a DAF

DAFs are more than just a vehicle for individual giving. More than one person can contribute to a DAF, and several people can make grants from a single fund. Grantors simply need to be listed as advisors on the DAF. Frequently, this arrangement occurs in families: Parents and children make grant disbursements to different organizations from a single shared DAF.

If you have built a relationship with donors who prefer to give through a DAF, you should ask whether there are other advisors

attached to their funds. It can be smart to build relationships with these supporters, especially if they represent members of the younger generation of a family, who may direct the fund in the future.

Succession plans direct what happens to a DAF after its donor passes away. Nearly all DAFs — 92 percent — have succession plans in place, according to the Donor Advised Fund Research Collaborative Study. Those that have no plan are donated to the sponsoring institution upon the supporter's death. Some donors choose this option in their succession plans. Some 70 percent of DAF-holders, however, choose to re-assign their fund to a family member or other individual, who will go on to direct more grants from the fund.

DAF holders also can choose to give the balance of their fund to a nonprofit — one that's different from the sponsor. Endowed DAFs, for example, often become planned gifts after the donor-adviser passes. Importantly, the only way for a fundraiser to find out whether a DAF donor has set up a succession plan for their account is to ask them.

Anyone Can Be a DAF Donor

While some sponsoring organizations require an initial contribution of a certain value, many do not. However, donors who open DAFs are generally required to pay administrative and/or investment fees, though their structure varies across sponsoring institutions.

In addition to traditional DAF sponsors like community foundations and charitable arms of financial institutions, recent years have also seen a spate of [new companies](#)

trying to make DAF giving accessible to more donors — including those who give at the mid-level or annual fund level.

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Previously, DAF donors were typically very wealthy people who chose to give through DAFs instead of opening family foundations — but that's changing now, says Danielle Vance-McMullen, assistant professor at DePaul University, and co-director of the DAF Research Collaborative. There's more awareness and availability of DAFs, thanks to media coverage, and a widespread adoption among community foundations, nonprofits, and charitable arms of financial institutions.

The American Muslim Community Foundation, for example, does not have a minimum requirement for the DAFs it holds. One donor opened a DAF there with a \$500 contribution. The individual has contributed another \$500 during each of the subsequent five years, for a total of \$2,500, says the foundation's co-founder, Muhi Khwaja. But since the money is invested in the stock market, the donor's fund for charitable giving has now increased to almost \$3,000.

DAFs of this size are fairly typical. A 2024 study of more than 50,000 DAFs from 2014 to 2022 found that [roughly half](#) had total

assets valued at less than \$50,000. While plenty of major donors give through DAFs, these findings indicate a preponderance of mid-level supporters and even some donors giving at the high-end of the annual fund level, explains Vance-McMullen, one of the researchers behind the study. “Small DAFs are growing,” she says.

Donors Can't Use Their DAFs for Everything

Once assets — including cash, stock, cryptocurrency, and life insurance — are deposited into a donor-advised fund they are considered charitable, meaning the assets are held by a charitable institution — such as a community foundation or university — and cannot be used to benefit individuals.

Consequently, donors can't use their DAFs to pay for gala tickets, for example. When a supporter attends a gala they receive food, drink, and entertainment in return for their purchase. Therefore, donors must use cash or other means to pay for gala tickets; DAF funds cannot be used for activities or purposes that benefit the contributor. Similarly, using a DAF to purchase college athletics tickets is also forbidden.

Few DAF Donors Give Anonymously

Some DAF critics complain that these funds suppress transparency because donors can use them as a passthrough, giving under the aegis of the sponsoring organization rather than their own name. This anonymity, critics say, makes it hard to parse the true source of a nonprofit's support.

However, in its 2024 study, the DAF Research Collaborative found that less than [4 percent](#) of DAF gifts were made anonymously.

When donors choose not to share their information with the nonprofits they support through a DAF, it's important to respect that. However, sometimes donors make paperwork errors and give anonymously by accident. In these instances, fundraisers can do some legwork to match the DAF gift with the known supporter. If a donor has committed to giving a certain sum and that same amount is received via an anonymous DAF gift, experts advise calling that individual to ask if it was from them.

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Yes, You Can Steward DAF Donors

To do so, you need to follow a different gift-acceptance process for DAF gifts. When your nonprofit receives such a donation, it should record the DAF sponsor as the source and send that institution a receipt. Importantly, that gift acknowledgement should not include language thanking the sponsor for its tax-deductible gift because the donor-advisor claimed the tax deduction upon making the contribution to their DAF.

However, when possible, your nonprofit also should record the name of the donor who advised that the gift be made from the DAF. This information is typically available in the memorandum the sponsoring organization attaches to the check. You may have to work a little harder to connect with this donor, but you can certainly still steward him or her.

If your nonprofit receives an anonymous DAF gift, you could contact the sponsor to ask for more information on the donor. When this occurs at the American Muslim Community Foundation, Khwaja says he asks the donor-advisor what information — if any — they'd like to share with the fundraiser. Sometimes DAF donors agree to share their names, contact information, and even a message, which can help facilitate stewardship.

“Figure out what cadence of engagement works for them,” Khwaja says.

If a major donor suddenly stops giving regular DAF contributions to your nonprofit, treat them like a lapsed supporter, says Khwaja. He suggests starting a conversation with the donor to ask them, “Hey, we noticed that you stopped giving. Are you giving through another way? Or can you tell us a little bit more?”

It may be that the donor has chosen to give a gift of stock that year. Or perhaps they need to pause their giving for financial or family reasons. If so, Khwaja recommends finding ways to stay in a relationship with the donor. Tell them you understand that they're changing when and whether they give, but ask if you can continue to

periodically email them updates. “Figure out what cadence of engagement works for them,” Khwaja says.

You may also have DAF holders already on your organization's donor rolls — but not know it. Some fundraisers employ gumshoe techniques to learn the identities of DAF-holders in their communities or who give to their cause. For example, if a local community foundation lists the names of people who hold DAFs in its annual report, you could scan the list for any donors known to your nonprofit.

Vance-McMullen recommends adding this simple question into stewardship conversations with donors: “Have you set aside any money for philanthropy?” The question is a gateway to conversations about DAF giving and the donor's plans for giving over time.

It also helps to tell supporters explicitly that your organization accepts DAFs gifts. At CT State Manchester, fundraisers make sure to mention their acceptance of DAFs in donor conversations. They also encourage DAF gifts in direct mail appeals, QR codes, and online donation forms.

“Sometimes, if people don't see that option available, then they won't think to ask you about it,” says Reid, the college's top fundraiser. “You want to make it visible; you want to make it known.”