



National
Philanthropic
Trust

21st Century Philanthropy and Donor-Advised Funds

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Charitable Giving Vehicles

Granting Vehicles

- ❖ Private Foundation
- ❖ Donor Advised Fund
- ❖ Supporting Organization

Life Income/Split Interest Vehicles

- ❖ Charitable Remainder Trusts (many types)
- ❖ Charitable Gift Annuity
- ❖ Pooled Income Fund Gift

Charitable Giving & Donor-Advised Funds

- Charitable giving in 2012
 - **\$316 billion – up 3.5%** (All-time high in 2007 – \$344 billion)¹
 - \$13.7 billion contributed to DAFs – **up 34.6%**²
- Over 200,000 DAFs vs. 73,600 independent and family foundations²
 - In 2000, there were 40,000 DAFs and 56,000 foundations
 - **Annualized increase of 17% per year** for DAFs vs. 2.6% growth for foundations²
- **\$45 billion in DAF assets** – up 19% from 2011²
 - Since 2000, **DAF assets has grown 312%** whereas assets for foundations has only grown 28%²
 - Over half of all foundations have assets of less than \$1,000,000⁴
- Grant making from DAFs **topped \$8.6 billion** – up 7% from 2011²
 - Grant making from foundations \$33.9 billion – up 4% from 2011⁴

DAF Market Overview

Donor-Advised Funds	2011	2012	% Change
Assets under management	\$38.1 billion	\$45.4 billion	18.9%
Total accounts	188,487	201,631	7.0%
Total contributions	\$10.2 billion	\$13.7 billion	34.6%
Total grants	\$8.1 billion	\$8.6 billion	6.7%
Average account size	\$202,341	\$224,921	11.2%

Source: National Philanthropic Trust, 2013 Donor-Advised Fund Report

DAF vs. Other Charitable Giving Options

(Number of Accounts/Donors/Foundations)

Charitable Giving Vehicle	2011	2012	% Change
Donor-Advised Funds	188,487	201,631	7.0%
Char. Remainder Unitrusts ¹	93,828	91,250	(2.7%)
Private Foundations ²	73,764	78,582	6.5%
Char. Remainder Ann. Trusts ¹	15,862	14,616	(7.9%)
Charitable Lead Trusts ¹	6,617	6,498	(1.8%)
Pooled Income Funds ¹	1,402	1,324	(5.6%)

1. Internal Revenue Service, *IRS Statistics of Income Division, October 2013*.
2. Number of Independent Foundations, *Preview of Key Facts on U.S. Foundations, 2014 Edition, June 2014*, The Foundation Center.

DAF Growth vs. Other Charitable Options

(Dollar Value of Assets in billions)

Type	2011	2012	% Change
Private Foundations ²	\$540.2	\$584.0	8.1%
Char. Remainder Unitrusts ¹	\$86.9	\$85.2	(1.9%)
Donor-Advised Funds	\$38.1	\$45.4	18.9%
Charitable Lead Trusts ¹	\$20.9	\$23.7	13.1%
Char. Remainder Ann. Trusts ¹	\$7.1	\$6.4	(9.7%)
Pooled Income Funds ¹	\$1.3	\$1.25	(4.3%)

1. Internal Revenue Service, *IRS Statistics of Income Division, October 2013*.
2. Number of Independent Foundations, Preview of Key Facts on U.S. Foundations, 2014 Edition, June 2014, The Foundation Center

DAF Payout Rates vs. Foundations

Foundations

- Average grant payout rate for foundations is around 9.2%¹
- Median grant payout rate is 5.6%¹

Donor-advised funds

- Average grant payout rate for donor-advised fund is 37.4%²
- Median grant payout rate is between 13.0%²

1. The Foundation Center, 2012: The Foundation Center Database (2007-2009).
2. Analysis of payout rates by donor-advised funds, National Philanthropic Trust Database (2013). Both sources calculate payout by dividing current year's grants awarded by end-of-year assets under management from the prior year. It should be noted that foundations may include certain administrative, technical and research expenses as part of their grant payout, whereas DAF payout is purely grants.

Philanthropy's Future

Donor-Advised Funds vs. Private Foundations

Private Foundation vs. DAF

Control

- Tax benefits
- Personalization/prestige
- Investments
- Hiring family
- Grantmaking flexibility
 - Grant agreements
 - International grants
 - Grants to individuals



Private Foundation vs. DAF



Private Foundation vs. DAF

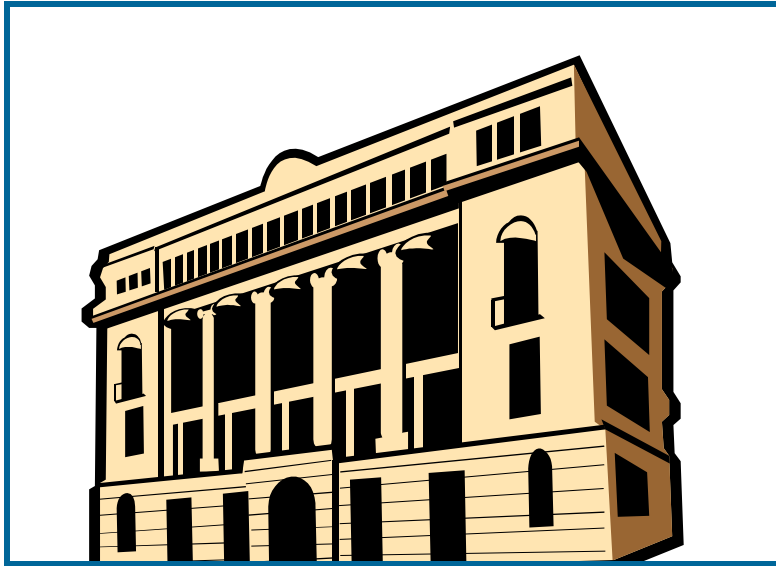
Burdens



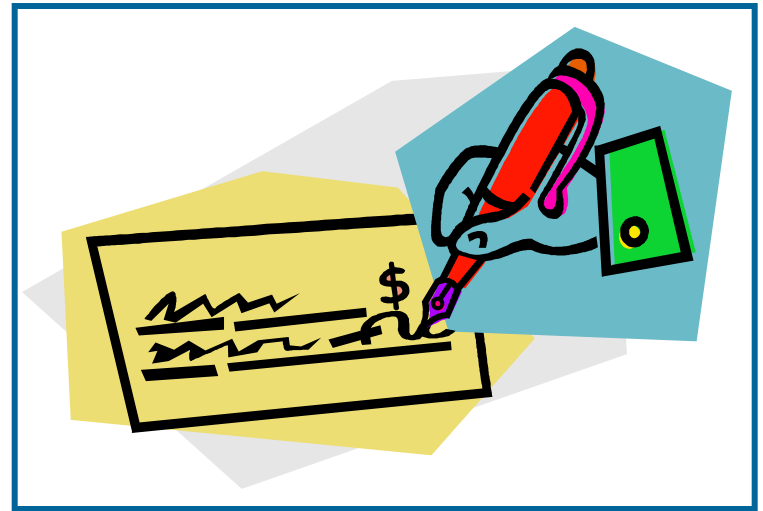
- Lower deduction limits
- Certain gifts at cost-basis
- Jeopardy investments
- Self-dealing
- Intermediate sanctions
- Excise taxes on investment gains
- Annual Tax filings
- Board minutes
- 5% Payout requirements
- Expenditure responsibility
- GuideStar
- Lack of privacy
- Unsolicited grant proposals



Private Foundation vs. DAF



Bank



Bank Account

vs.



The Council on Foundations...said it made little sense to operate a foundation with less than \$10 million in assets.

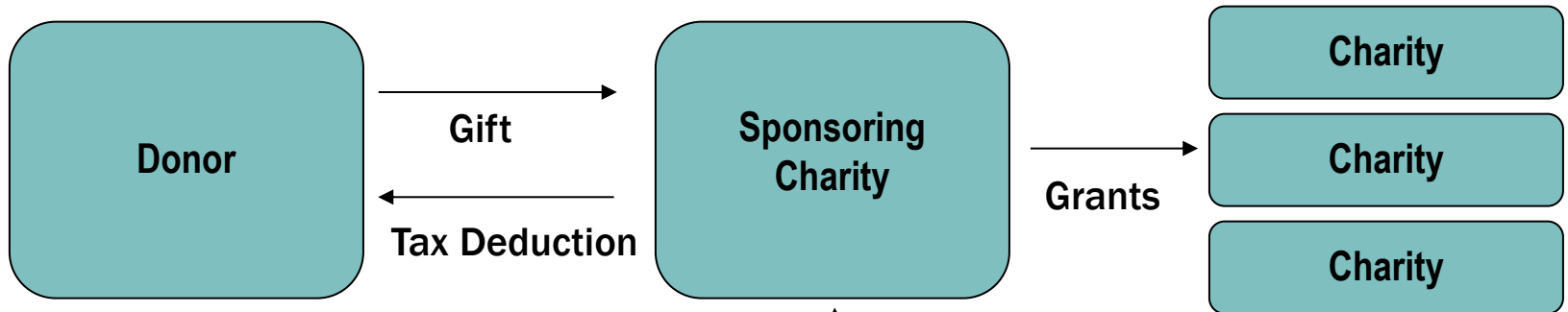
“There are number of foundations that we believe are inefficient, lack the stewardship a foundation should have and, frankly, shouldn’t exist.”

Dorothy Ridings, former President, Council on Foundations, as quoted in the *New York Times*, January 12, 2003.

Donor-Advised Funds

A simple, powerful and highly personal approach to giving

How Does a Donor-Advised Fund Work?



- Donor makes an irrevocable contribution of cash or marketable securities
- Donor receives immediate tax deduction.

The Smith Family Fund

Donor sets up DAF:

- Names fund
- Names advisors
- Recommends investment strategy
- Names successors or charitable beneficiaries

- Donor recommends grants to qualified charities.

Not All Donor-Advised Funds Are Equal

Mission

Fees

Assets Accepted

Investments

Grant frequency

Succession

Grantmaking: What can DAFs do?

- Almost any amount at any time
- One time & recurring grants
- Multiple forms of recognition & anonymity
- Unrestricted, operating, capital campaign or a specific purpose
 - Naming rights
 - Scholarship programs
 - Endowing chairs

Grantmaking: What DAFs can't do?

- Fulfill an existing pledge.
- Acquire more than an incidental benefit, good or service for any specific individual including the donor.
- Pay for dues, membership fees, tuition, goods from charitable auction, or other goods or services.
- Support an individual.
- Support a political campaign or lobbying activity.
- Support a private non-operating foundation.

Working with Donor-Advised Funds

- Donors first, DAFs second
- Make 'em pay -- multi-year grants
- Keep it simple -- illiquid & complex assets
- Better late than never -- as a charitable beneficiary
- Pledges (are meant to be broken)

Philanthropy's Future

- Income Disparity - Haves vs. Have Nots?
- Tax deduction limitations – for charity in general, or for different charities?
- Increased payout requirement for foundations?
- 5% payout requirement/forced payout for Donor-Advised Funds?
- New Golden Age? IRA charitable rollover, Giving Pledge, estate tax reform, income tax reform?
- Emerging initiatives – co-funding ventures, B corps, impact investing

National Philanthropic Trust

All about giving

National Philanthropic Trust

- Established in 1996
- Raised more than \$4 billion in charitable gifts since inception
- Made more than 90,000 grants totaling \$2.1 billion to charities throughout the United States and in over 55 countries worldwide
- NPT manages over 3,000 donor-advised funds (“DAFs”) and also administers five Type I Supporting Organizations (“SOs”)
- In addition to NPT’s corporate form charity, NPT also has NPT Charitable Asset Trust (“NPT CAT”), a charity in the trust form, as well as several Charitable LLCs
- In December 2013, NPT launched NPT-UK, a London-based dual-qualified charity, which allows donors to receive Gift Aid, a U.S. charitable tax deduction, and/or additional tax benefits
- Eileen Heisman, NPT’s President & CEO, received the 2014 Association of Fundraising Professionals’ National Fundraiser of the Year award