

Understanding Donor Advised Funds

What is a donor advised fund?

A donor-advised fund (DAF) provides donors with a centralized charitable giving vehicle. It allows philanthropically inclined individuals, families and corporations to make an irrevocable charitable gift to a public charity that sponsors a DAF program and take an immediate tax deduction. Most sponsoring organizations of DAFs accept cash equivalents, securities, and certain other assets. Donors then use their DAF to support qualified charitable organizations over time.

How does it work?

- ◆ Establish your Donor Advised Fund by making an irrevocable, tax-deductible donation to a public charity that sponsors a DAF program
- ◆ Advise the investment allocation of the donated assets (any investment growth is tax-free)
- ◆ Recommend grants to qualified public charities of your choice

Main Advantages of a Donor Advised Fund

- ◆ **Simplicity** – The DAF sponsor handles all record-keeping, disbursements, and tax receipts.
- ◆ **Flexibility** – Timing of your tax deduction can be separate from your charitable decision making.
- ◆ **Tax-efficiency**– Contributions are tax-deductible and any investment growth in the DAF is tax-free. It is also easy to donate long-term appreciated securities, eliminating capital gains taxes and allowing you to support multiple charities from one block of stock.
- ◆ **Family legacy** – A DAF is a powerful way to build or continue a tradition of family philanthropy.
- ◆ **No start-up costs** – There is no cost to establish a donor advised fund. However, there are often minimum initial charitable contributions to establish the DAF (typically \$5,000 or more).**
- ◆ **No transaction fees** – Once approved, 100% of your recommended grant goes to your qualified public charity of choice.**
- ◆ **Privacy if desired** – Donors may choose to remain anonymous to the grant recipient.

** Sponsoring organizations generally assess an administrative fee on the assets in a DAF. These fees vary by the charity that sponsors a DAF Program.

For more information on donor-advised funds, ways to give to the KCLS Foundation, or the impact of your gifts, please contact foundation@kcls.org or 425-369-3448.