

What is a Donor Advised Fund (DAF)?

Donor advised funds (DAF) are a philanthropic giving vehicle administered by a public charity. Under [Internal Revenue Code § 4966\(d\)\(2\)](#), a DAF is an account maintained and operated by a section 501(c)(3) organization in which the donor (or persons appointed by the donor) may advise the charity regarding grants to be made to qualified charitable organizations. While the sponsoring charity has ultimate control, donors retain advisory privileges over distributions and, in many cases, investment options. In my experience, the sponsoring charity has always respected the wishes of the donors regarding qualifying distributions.

Key Advantages of Donor Advised Funds

Donor advised funds provide significant benefits, including:

- **Immediate Tax Deduction:** Donors may claim a charitable deduction under IRC § 170 in the year of contribution, subject to applicable percentage limitations.
- **Simplicity and Convenience:** A DAF consolidates charitable giving into a single vehicle, eliminating the need for separate record-keeping.
- **Tax-Efficient Asset Contribution:** Appreciated securities, closely held stock, or other property may be contributed without triggering capital gains tax.
- **Strategic Giving:** Funds can be invested for growth, allowing donors to recommend grants over time rather than making all gifts immediately.
- **Privacy:** Grants from a DAF can be made anonymously, protecting donor identity if desired.
- **Legacy Planning:** Donors may name successors, advisors, like their children, or charities to continue the philanthropic mission beyond their lifetimes.

Who Benefits Most from a Donor Advised Fund?

A DAF may be especially suitable for:

- High-income individuals seeking a current-year charitable deduction while deciding on ultimate charitable beneficiaries at a later date.
- Business owners anticipating a liquidity event who wish to offset taxable income.
- Investors holding highly appreciated securities or real estate who want to avoid capital gains tax while funding philanthropy.
- Families seeking to involve multiple generations in charitable giving in a structured way.
- Clients who prefer a lower-cost, simpler alternative to establishing a private foundation.

Examples of DAF Use Cases

- A physician nearing retirement contributes appreciated stock to a donor advised fund, claiming a large deduction in

her peak income year. She then recommends annual grants to her preferred health charities during retirement.

- A business owner sells his company and directs a portion of the proceeds to a DAF, offsetting the capital gain in the year of sale while allowing time to thoughtfully select charitable beneficiaries.
- A family establishes a DAF and names their children as successor advisors, continuing family involvement in philanthropy.
- A donor uses a DAF to make anonymous grants to controversial causes, preserving privacy and avoiding unwanted attention.

Community Foundations like the Community Foundation for Greater Atlanta, the North Georgia Community Foundation, and the Community Foundation of Central Georgia, Inc. qualify as public charities and may serve to receive and administer DAFs. In addition, many large brokerage and investment firms have qualifying charitable funds that may serve in this capacity. The fees involved will vary depending on the provider and services needed. Most will find the fees for administering DAFs relatively modest and not an impediment to establishing such funds.

The Episcopal Community Foundation for Middle and North Georgia does not administer donor advised funds itself. However, many people choose to make contributions from an existing DAF to the Foundation. We are also able to accept donations from your DAF that can then be passed along to your parish or another ministry in the Diocese of Atlanta. If you are interested in learning how to make a donation from your donor advised fund, please [contact our Executive Director](#).

In conclusion, donor advised funds provide a flexible, tax-efficient, and practical vehicle for philanthropic giving. They can be tailored to meet a wide range of client objectives, from immediate tax planning to long-term legacy building.



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