# Donor Advised Funds …
# Charitable Giving Made Simple!

-By Chris Brennan, CFP®

Donor advised funds are increasingly popular of late with individuals and families in the United States. While our nation's propensity to give has never wavered, the ways in which we give are always changing - donor advised funds are a big contributor to the shift we have seen within the charitable giving landscape throughout the last 10 or 15 years.

A donor advised fund allows an individual or couple to contribute to a vehicle sponsored by a public charity (also known as a sponsoring organization) without having come to a conclusion regarding the timing and/or ultimate recipient of their gift or gifts.

The process is relatively simple:

1. Open an account with a sponsoring organization (i.e., Schwab Charitable)
2. Contribute cash, securities and/or other appreciated assets
3. Invest the balance of the fund*
4. At your leisure, identify the qualified U.S. public charity or charities you are interested in recommending grants to
5. Administration and tax reporting, oftentimes overwhelming burdens for family foundations and the boards that oversee them, is provided for by the sponsoring organization, and likely at a fraction of the costs associated with administering a family foundation

*In most cases, stocks/bonds/etc. that are contributed to a donor advised fund will be liquidated immediately; the proceeds will then be reinvested into one or more investment options provided for by the sponsoring organization. Larger accounts are sometimes given more leeway with regards to what they can invest in.

The flexibility afforded for by donor advised funds is impactful:

1. The potential for your contribution to grow may well result in more dollars eventually benefitting the grant recipient
2. The charitable deduction is taken in the year in which the contribution to the donor advised fund is made, not necessarily the year in which a grant is made to a charitable recipient
3. While stocks, bonds and mutual funds are the most commonly contributed assets, donors are able to contribute private company stock, real estate, restricted stock and various other illiquid assets
4. Contributing appreciated assets allows donors the ability to avoid the realization of capital gains while getting the fair market value tax deduction (subject to potential AGI limitations and/or itemized deductions phase outs)

5. Some sponsoring organizations will accept initial contributions of as little as $5,000 while accommodating grant requests of as little as $50
6. Unlike with family foundations, where a 5% (of the family foundation assets) annual distribution is mandated by the IRS, donor advised funds have no required annual distributions
7. Beneficiaries (charitable organizations) or successors (spouse, children, etc.) can be appointed so that a legacy is in place should something happen to the donor

We anticipate the popularity of donor advised funds continuing to grow in 2017 and beyond. Individuals and families (of all financial means) who are charitably inclined and might benefit from some of the flexibility alluded to above should consider whether or not a donor advised fund makes sense for them.

We encourage you to reach out to us with any questions you may have. Eventually, we would recommend having a brief discussion with your accountant to see if he or she has any suggestions regarding the most appropriate and tax-advantaged funding strategies. Thereafter, we would be happy to help facilitate the opening of an account on your behalf.

A link to some additional information regarding the donor advised fund program at Schwab Charitable is below; we believe they have done a nice job of introducing the idea and educating prospective donors.
https://www.schwabcharitable.org/public/charitable/home

If you have questions and/or would like to discuss this further, please contact us at 513.579.9400 to set up a time to connect with us. We look forward to the conversation!

*Chris Brennan is a principal with John D. Dovich & Associates, LLC. As an Investment Advisor Representative, Chris is responsible for creating wealth strategies for our firm's clients. He works with clients and helps them to establish, implement and monitor financial plans. Chris is also responsible for the oversight and management of client assets. A native of Chicago, is a graduate of the Miami University of Oxford with a Bachelor's Degree in Finance. He earned his CFP certification in 2010. Chris has experience working with individuals and families and specializes in investment management, asset allocation, and financial planning.*



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