



Understanding Donor-Advised Funds

A simple way to donate while enjoying tax benefits

What is a donor-advised fund?

A donor-advised fund (DAF) allows you to make a charitable contribution, receive an immediate income-tax deduction and then recommend grants from the fund over time. It's like a charitable savings account: You contribute to the fund as frequently as you like and then recommend grants to your favorite charity when you are ready.

How does a donor-advised fund work?

You can recommend a gift through your donor-advised fund by visiting dafdirect.org. You'll be asked to pick the organization to which you'd like to contribute and enter the amount. When you're finished, you'll click "Next" to complete your recommendation. If you have a donor-advised fund that does not participate in DAF Direct, just ask your financial advisor to designate a gift to Dakin Humane Society.

What are the tax benefits of a donor-advised fund?

Your DAF contributions are immediately tax-deductible and any investment growth in the DAF is tax-free. It is also easy to donate long-term appreciated securities, which eliminates capital gains taxes and allows you to support multiple charities from one block of stock. You receive on tax receipt. DAFs are also flexible. The timing of your tax deduction is separate from your charitable decision-making.

What are some other benefits to DAF?

DAFs are simple. They allow you to avoid the administrative and legal burdens of forming a private foundation while preserving the joys of charitable giving. The DAF sponsor handles all record-keeping, disbursements and tax receipts. The DAF manager also takes care of vetting and qualifying charities. All you have to do is dictate where to send the checks.

Are there fees involved?

There are two standard fees sponsoring organizations collect from DAF holders:

1. An administrative fee, which varies relative to the DAF balance, and covers the costs of processing transactions and providing donor support.
2. An investment fee, which is a mutual fund based on how the funds are invested.

Together, these fees range from 1 percent to 2.5 percent of the DAF balance, depending on the sponsoring organization, the type of DAF, and how aggressively DAF holders choose to invest their accounts. If you have a DAF and are making Dakin Humane Society a recipient of a grant, please be sure to let us know so that we can thank you. If you have questions, please contact our development department at donations@dakinhumane.org or call 413-781-4000 ext 3.