



National
Philanthropic
Trust

Donor Advised Fund Market

**An analysis of the overall market and trends compiled by
National Philanthropic Trust
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Donor Advised Funds and the Philanthropic Market

Summary

While donor advised funds have experienced explosive growth over the last decade, the best is yet to come. From 2001-2005 (the most recent five year period with comparable data) donor advised funds outpaced all other charitable giving vehicles by a substantial margin. The number of accounts increased 49%, and the number of assets rose 38%. In the last two years (2004-2005) donor advised fund growth has accelerated – new accounts are up 11.1%, and assets increasing 15.6% – and it is expected that recent stock market growth will continue the trend.

In the coming decades charitable growth in general, and donor advised funds in particular, will be fueled by an intergenerational transfer of wealth expected to result in \$21-\$55 trillion in charitable gifts.

Opportunities abound for financial institutions and their advisors. Since 78% of donors set up charitable giving vehicles through their financial advisors (see *Philanthropy and the High-Net-Worth Market*) they will serve as the gatekeepers to help their clients assess their philanthropic options. We believe that this is one of the primary reasons the fastest growing segment in the donor advised fund market is among “commercially-sponsored” and other national programs, such as National Philanthropic Trust (see Table 2).

What is also helping to “sell” and promote donor advised funds is their increased prominence in both the mainstream and trade press. Donor advised funds are frequently mentioned in *The Wall Street Journal*, *Kiplinger’s*, *The New York Times*, and many local newspapers on a weekly basis. For example, donor advised funds were featured in 441 news articles in 2006, almost double the 241 articles in 2005 (Source: Google).

And while The Chronicle of Philanthropy has featured an annual ranking of donor advised funds for several years, the growth in donor advised funds, combined with their acceptance by financial and wealth advisors, have received prominence in the financial trade press. Since 2003, annual rankings of donor advised funds are compiled by *Wealth Manager* magazine (formerly *Bloomberg Wealth Manager*) and *Investment News*.

Based on our forecasts, we predict that by 2010 donor advised funds will become the most popular charitable giving vehicle, and hold more assets than pooled income funds, charitable remainder annuity trusts, and charitable lead trusts combined.

Donor Advised Funds and the Philanthropic Market

Charitable Giving Market

- 89 percent of households give.¹
- Total giving reached an estimated \$295.02 billion in 2006, an increase of 4% from 2005.²
- Total giving has increased in 41 out of the last 42 years.²
- Charitable giving accounted for 2.1% of gross domestic product.²
- It is estimated that between \$6.6 trillion to \$27.4 trillion in charitable bequests will be made between 1998-2052.³
- It is estimated charitable contributions will total between **\$21.2 to \$55.4 trillion** between 1998-2052.³

Donor Advised Funds

Donor advised funds are **the fastest growing charitable giving vehicle**:

- More than 107,000 account holders (second only to charitable remainder trusts).⁴
- New accounts increasing 7.0% per year.⁴
- Approximately \$21.7 billion in assets.⁴
- Asset growth is growing at a double-digit pace -- rising 14.9% in 2003⁴, 22.1% in 2004, 15.1% in 2005, and 24% in 2006.⁵
- Annual contributions into donor advised funds in 2006 were \$6.6 billion, up 29% from 2005.⁴
- Average account size is over \$200,000.⁴
- Market penetration is estimated to be between 4-6%.⁶

Sources:

1. *Giving & Volunteering in the United States 2001*, Independent Sector
2. *Giving USA 2007*, AAFRC Trust for Philanthropy
3. Boston College Social Welfare Research Institute
4. National Philanthropic Trust
5. *The Chronicle of Philanthropy* (May 4, 2006)
6. NPT estimate is based upon the number of individuals in the United States with net liquid investable assets in excess of \$1 million (2.92 million) divided by the number of existing donor advised fund accounts (100,000). We utilize a discount factor of 15% on the HNWI to account for families filing income tax returns separately, and other factors that may account for overlap.

Philanthropy & the High-Net-Worth Market

- The number of millionaires in the United States grew at 9.4% from 2005-2006, bringing the total of individuals with more than \$1 million in financial assets to 2.92 million (World Wealth Report 2007, Merrill Lynch & Cap Gemini).
- More than 90% of individuals with net worth of \$1 million or more contribute to charity on an annual basis. (Yankelovich Partners). The average annual amount of contributions was \$1.2 million or 22% of family income. (The Mind of the Millionaire)
- The wealthiest 20% of Americans provide about 2/3 of all charitable contributions. (The Federal Reserve Board's Survey of Consumer Finances)
- 1 in 4 Americans are considering earmarking money for charities in their wills or creating another type of planned gift. (NFO Research Survey)
- The bulk of charitable giving among penta-millionaires is via trusts, **donor advised funds**, and foundations rather than directly to charitable organizations. (The Mind of the Millionaire)
- 89% of penta-millionaires have a written estate plan. Penta-millionaires report that having better information about their planning options, the future needs of their family, and the tax benefits of giving to charity would make them more likely to initiate or revisit their estate planning. The very wealthy look to individual professionals rather than financial or charitable institutions to best provide such advice. (The Mind of the Millionaire)
- 78% of people who set up charitable vehicles and trusts do so on the recommendation of their advisors, not of a charity. (Prince & Associates)
- 51% of penta-millionaires indicated that they or members of their families are engaged in the management of a family philanthropic or charitable foundation. (The Mind of the Millionaire)
- More than 2/3 of total contributions to philanthropy are made by the upper 1/3 of earning households. (The Philanthropic Initiative)

“Led by the ranks of the ultra wealthy, high-net-worth individuals (HNWIs) are **increasing financial resources, time, and thought that they contribute to philanthropic causes...** North Americans gave 7.6% of their portfolios, more than a 20% increase from 2005 levels. One manifestation of this trend is **the substantial growth in popularity of donor-advised funds** during 2005 and 2006.

World Wealth Report 2007
Merrill Lynch & Cap Gemini

Donor Advised Fund Market

Overall Performance

The following statistics were compiled from a sample of the 140 largest and most prominent donor advised fund programs by National Philanthropic Trust from public tax documents (IRS Form 990), trade publications (The Chronicle of Philanthropy, Bloomberg Wealth Manager), websites, and annual reports. Statistics are drawn from three constituents – National/Commercially-Sponsored Programs, Community Foundations, and other religious or affiliate groups (universities, environmental organizations, etc.).

Figures are the most current available due to the lengthy auditing process and publication of financial information by charitable organizations.

Table 1: Overall Donor Advised Fund Market*

Donor Advised Funds are **the fastest growing charitable giving vehicle**. Asset growth continued to accelerate, increasing 24% to \$21.65 billion – compared with a 17.6% increase in 2005. Contributions rose by 29%, and grants to charities jumped 35.%. The number of new accounts is estimated to exceed 107,000, and the average account size passed \$200,000 for the first time.

	2005	2006	Pct. Increase
Assets Under Management	\$17.53 billion	\$21.65 billion	24.0%
Contributions	\$5.11 billion	\$6.60 billion	29.0%
Grants	\$3.67 billion	\$4.95 billion	35.0%
# of Accounts	100,673	107,250	7.0%
Avg. Account Size	\$174,128	\$201,865	16.0%

*Figures are based on publicly disclosed information – such as The Chronicle of Philanthropy's annual survey – direct inquiries made by NPT researchers, and sponsoring charities' annual reports and 990 Forms.

Table 2: National/Commercially-Sponsored Donor Advised Funds

Data from this sub-group (currently comprised of 37 institutions such as National Philanthropic Trust, Fidelity Charitable Gift Fund, Vanguard Charitable Endowment Fund, et. al.) is the most accurate based on their tax filings and published reports in trade publications. According to our analysis, they are the fastest growing sector of the donor advised fund market, and continue to define the market.

	2005	2006	Pct. Increase
Assets Under Management	\$6.23 billion	\$8.10 billion	30.0%
Contributions	\$2.12 billion	\$2.90 billion	37.0%
Grants	\$1.36 billion	\$1.90 billion	40.0%
# of Accounts	54,875	60,750	11.0%
Avg. Account Size	\$113,573	\$133,333**	8.2%

** NPT average account is \$348,850.

Market Penetration

Based on the overall high-net-worth market, comprised of more than 2.9 million individuals, we estimate that **market penetration for the donor advised fund is less than 5% overall.**

There is significant potential for growth and opportunities for both existing and new donor advised fund program to prosper. The key to success will be active and consistent marketing efforts to high-net-worth individuals and their financial advisors, estate planners, private bankers, and other intermediaries.

About National Philanthropic Trust

National Philanthropic Trust (NPT) is an independent public charity dedicated to promoting and facilitating charitable giving by individuals, families and organizations while expanding their knowledge in the field of philanthropy. Founded in 1996, NPT is among the 100 largest charities and one of the top 35 grant makers in the United States with nearly \$660 million in assets under management. Since its inception, NPT has raised more than \$1.3 billion in charitable assets, and made more than 22,500 grants to U.S. and international charities totaling \$650 million. Led by a national board of trustees and a team of professionals with more than 100 years of philanthropic experience, NPT has proven expertise in the stewardship of charitable donations.

NPT offers donor advised funds, supporting organizations, pooled income fund, and special field of interest funds to help donors with the administration and investment of their philanthropic dollars and give them freedom to recommend support to charities and causes that interest them. For more information, visit www.nptrust.org.

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