



National  
Philanthropic  
Trust

# Donor Advised Fund Market

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An analysis of the overall market and trends by  
National Philanthropic Trust  
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## Research Process and Methodology

National Philanthropic Trust (NPT), an independent public charity that administers donor advised funds, researched and collected the following data from 152 organizations that have donor advised fund programs; the research was conducted during the second and third calendar quarters of 2008 and pertains to fiscal year 2007. Sources included organizations' tax returns (990 Forms), annual reports, direct contact with the charities via phone and email, and other publicly accessible sources such as *The Chronicle of Philanthropy*.

The types of organizations surveyed include:

- 38 national programs which include public charities and commercially-sponsored programs
- 72 community foundations
- 42 other groups which include university-sponsored, faith-based, and other independent institutions

National Philanthropic Trust gratefully acknowledges the work of Andrea Leadbeater in the collection of this data, as well as those sponsoring charities that shared their data with us.

# Summary: The Charitable Giving Vehicle for the 21<sup>st</sup> Century

Donor advised funds continued to experience accelerated growth in 2007, and solidified their position as the **fastest growing and most popular charitable giving vehicle in the United States: with**

- More than 122,500 fund holders<sup>1</sup>
- New funds increasing 12.2% from 2006
- \$27.7 billion in assets, up 21% from 2006
- Contributions of approximately \$8 billion annually and rising
- An average fund size is \$225,875, up 8% from 2006

The growth in donor advised funds is being driven largely by professional advisors, including financial advisors, brokers, estate and tax attorneys, accountants, and other professionals who have become educated about the benefits of this flexible and efficient model of charitable giving. Unlike a private foundation, there is no need to hire an attorney to create a donor advised fund, therefore professional advisors can act as the facilitators for this “turnkey” philanthropic solution. Research highlights that 78% of donors set up charitable giving vehicles through their professional advisors (see *Philanthropy and the High-Net-Worth Market*).

Professional advisors are integral in structuring their clients’ investment and retirement portfolios, and are therefore well positioned to incorporate donor advised funds into their clients’ comprehensive financial and estate plans. As many financial service providers have established donor advised fund programs on their own or through a public charity, this key positioning of professional advisors has caused national programs, such as National Philanthropic Trust, to become the fastest growing segment in the donor advised fund market.

This growth is illustrated by:

- 33.1% increase in assets of national programs versus a 21% growth of assets in the overall donor advised fund market
- 15.6% growth in new funds of national programs versus a 12.2% growth of new funds in the overall donor advised fund market

Given that professional advisors often play such a central role in the establishment of their clients’ donor advised funds, it is critical for them to continue to be educated about the ease and benefits that this vehicle has to offer. Involvement in this area of their clients’ interests allows professional advisors to move beyond the simple dollars and cents relationship to one that appeals to clients’ personal values. It can also help advisors to establish a legacy for their clients, thus opening up access to the next generation of potential clients. In addition, donor advised funds can significantly help professional advisors limit their clients’ tax exposure, and therefore allow them to offer a broader range of service.

Another significant factor in the promotion of donor advised funds is the increased prominence they have experienced in both the mainstream and trade press. Donor advised funds are frequently featured and mentioned in *The Wall Street Journal*, *Kiplinger’s*, *The New York Times*, and many local newspapers on a weekly basis. In 2007 more than 548 articles mentioned and/or featured donor advised funds.<sup>2</sup>

Additionally, although *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, has led to their increased prominence in the financial trade press as well. Since 2003, annual rankings of donor advised funds are also compiled by *Wealth Manager* magazine and *Investment News*.

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1. According to tax filings with the IRS, the number of donor advised funds now exceed the total number of charitable remainder trusts (94,767) and charitable lead trusts (21,296), charitable remainder annuity trusts (20,187), and pooled income funds (1,528). According to The Foundation Center, there are 71,760 private foundations.

2. Source: Nexis news search.

## The Philanthropic Market

- Total giving was estimated to be \$306.39 billion in 2007, an increase of 3.9% from 2006 (1.0% adjusted for inflation).<sup>3</sup>
- Total giving has increased in 41 out of the last 42 years.<sup>3</sup>
- Charitable giving accounted for 2.1% of gross domestic product.<sup>3</sup>
- It is estimated that between \$6.6 trillion and \$27.4 trillion in charitable bequests will be made between 1998 and 2052.<sup>4</sup>

*Led by the ranks of the ultra wealthy, high-net-worth individuals are increasing financial resources, time and thought that they contribute to philanthropic causes.*

*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*

- It is estimated that charitable contributions will total between \$21.2 and \$55.4 trillion between 1998 and 2052.<sup>4</sup>

## Philanthropy & the High-Net-Worth Market

- The number of millionaires in the United States grew at a rate of 3.7% from 2006 to 2007, bringing the total number of individuals with more than \$1 million in financial assets to 3.03 million.<sup>5</sup>
- There are about 839,000 affluent families, each with a net worth of \$10 million or more. In total they control \$72.4 trillion. Approximately 75% are involved in and contributors to charitable causes. Much of their financial support is in the form of “checkbook philanthropy.”<sup>6</sup>

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3. *Giving USA 2008*

4. Boston College Center on Wealth and Philanthropy

5. World Wealth Report 2008, Cap Gemini & Merrill Lynch).

6. Prince Associates

## Donor Advised Funds and Other Charitable Options

Both the number of donor advised funds being created, and the amount of assets they hold, are increasing at a far greater rate than all other charitable giving vehicles, as exhibited in Tables 1 and 2 below.

**Table 1: Donor Advised Fund Growth vs. Other Charitable Giving Options  
(Number of Funds/Donors/Foundation)**

	2006	2007	Pct. Change
<b>Donor Advised Funds</b>	<b>109,238</b>	<b>122,539</b>	<b>12.2%</b>
Charitable Remainder Unitrusts <sup>7</sup>	94,767	95,567	0.8%
Private Foundations <sup>8</sup>	71,760	74,085 <sup>9</sup>	3.2%
Charitable Remainder Annuity Trusts <sup>7</sup>	21,296	20,187	(5.2%)
Charitable Lead Trusts <sup>7</sup>	6,298	6,377	1.3%
Pooled Income Funds <sup>7</sup>	1,676	1,528	(1.0%)

**Table 2: Donor Advised Fund Growth vs. Other Charitable Giving Options  
(Dollar Value of Assets)**

	2006	2007	Pct. Change
Private Foundations <sup>8</sup>	\$564.70 billion	\$596.32 billion <sup>9</sup>	5.6%
Charitable Remainder Unitrusts <sup>7</sup>	\$81.12 billion	\$96.84 billion	19.4%
<b>Donor Advised Funds</b>	<b>\$22.85 billion</b>	<b>\$27.68 billion</b>	<b>21.1%</b>
Charitable Lead Trusts <sup>7</sup>	\$16.49 billion	\$18.69 billion	13.3%
Charitable Remainder Annuity Trusts <sup>7</sup>	\$9.04 billion	\$9.28 billion	2.7%
Pooled Income Funds <sup>7</sup>	\$1.62 billion	\$1.60 billion	(1.2%)

7. Internal Revenue Service, *Statistics of Income Bulletin*, Winter 2008.

8. *Number of Grantmaking Foundations 1976 to 2006*, The Foundation Center, 2008. Includes total number of independent, corporate and operating foundations.

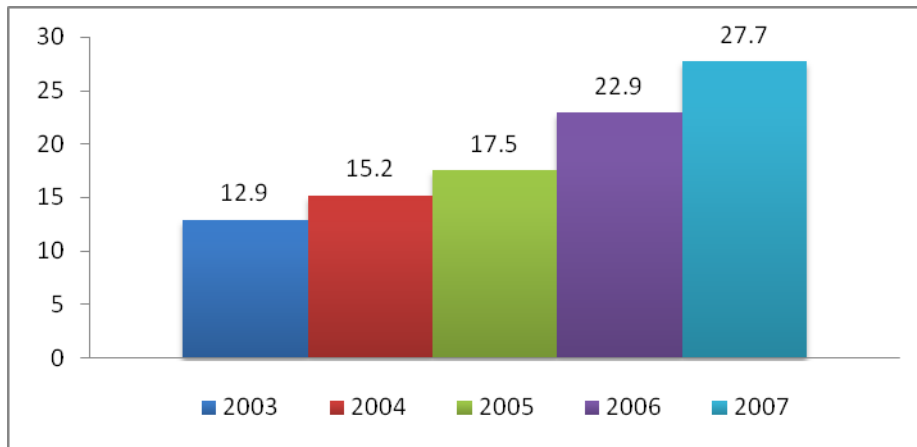
9. Estimate is a projection based on five year average growth of private foundations from data collected by The Foundation Center.

## Historical Growth of Donor Advised Funds

Although donor advised funds were first established in the mid-1930s, reliable statistics have only been available since 1999. The following tables provide an illustration of the dramatic growth over the last five years.

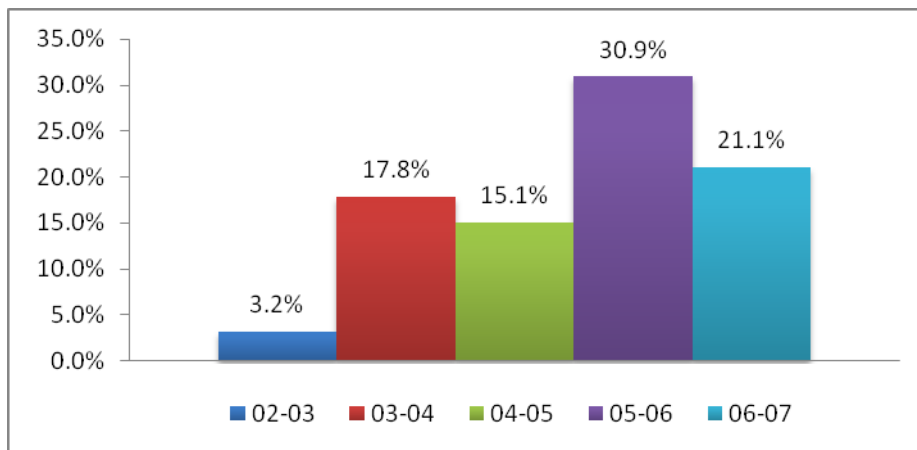
Since 2003, assets have more than doubled, from \$12.9 billion to \$27.7 billion. Making this growth more remarkable is the fact that an additional \$12.1 billion in grants was distributed from those donor advised funds during that time period.

**Table 1: Donor Advised Fund Assets (in \$ Billions)**



As illustrated in Table 2 below, the annual growth in donor advised fund assets has exceeded 15% for four consecutive years.

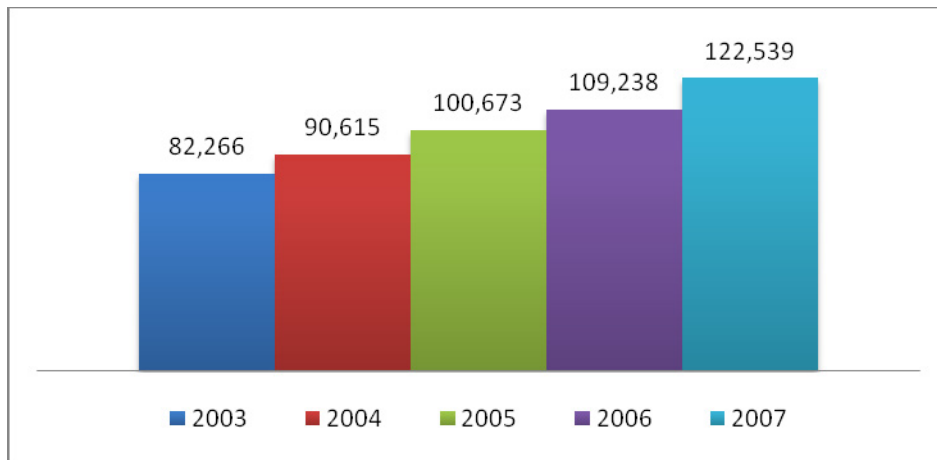
**Table 2: Annual Percent Change in Donor Advised Fund Assets**



### Historical Growth of Donor Advised Funds (cont.)

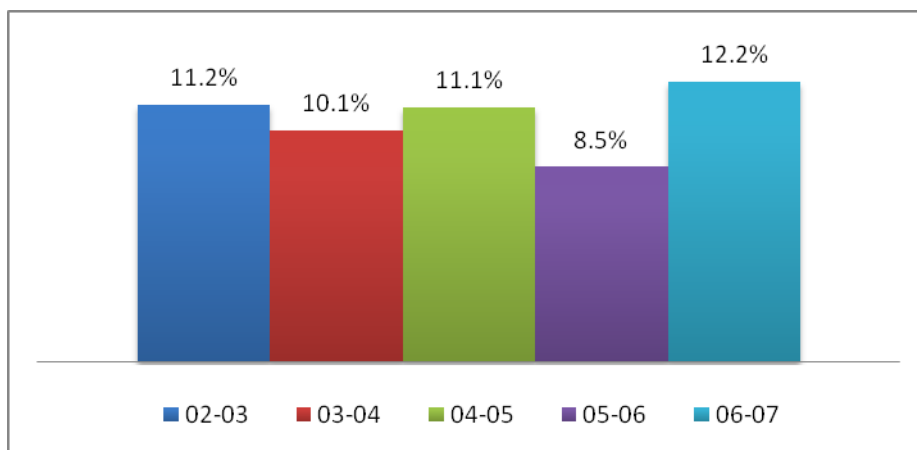
Donor advised funds have emerged as the most popular charitable giving vehicles as measured by the number of funds and/or donors (see Table 3). More than 122,500 donor advised funds have been established which exceeds the total number of private foundations, charitable remainder unitrusts, charitable remainder annuity trusts, charitable gift annuities, and pooled income funds (see Tables 1 & 2).

**Table 3: Number of Donor Advised Funds**



Over the last five years, the number of new funds has increased 49%, with growth from 2006 to 2007 increasing by 12.2% – the largest year-over-year gain in five years.

**Table 4: Annual Percent Change in Fund Growth**



## Donor Advised Fund Market Segment Growth

A variety of organizations sponsor donor advised funds. These include national programs, which are made up of public charities (such as National Philanthropic Trust), and commercially-sponsored charities which are created by financial service firms. In addition, community foundations, faith-based institutions, universities and others sponsor donor advised funds.

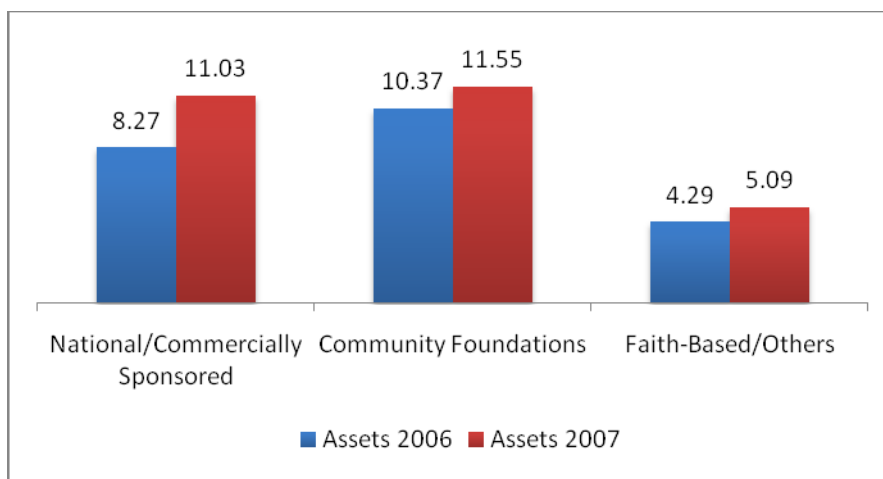
Although the first donor advised fund was created by the Winston-Salem Foundation in 1935, the vehicle did not truly emerge in popularity until the launch of the Fidelity Charitable Gift Fund in 1992.<sup>10</sup>

The fastest growing segment of the donor advised fund market is the national programs – currently comprised of 38 institutions such as National Philanthropic Trust, Fidelity Charitable Gift Fund, Vanguard Charitable Endowment Fund, et. al. **This group received the most contributions, facilitated the most grants, and served the most donors.** National programs also showed the fastest rates of growth in every category (assets, new funds, contributions, grants, average fund size). NPT projects that by 2008 national donor advised fund programs will also have the most in assets under management of any market segment.

Community foundations, which comprise the most mature and prevalent market segment with 72 institutions surveyed, continued to experience strong growth, and retain the largest market share as measured by assets and largest average fund size.

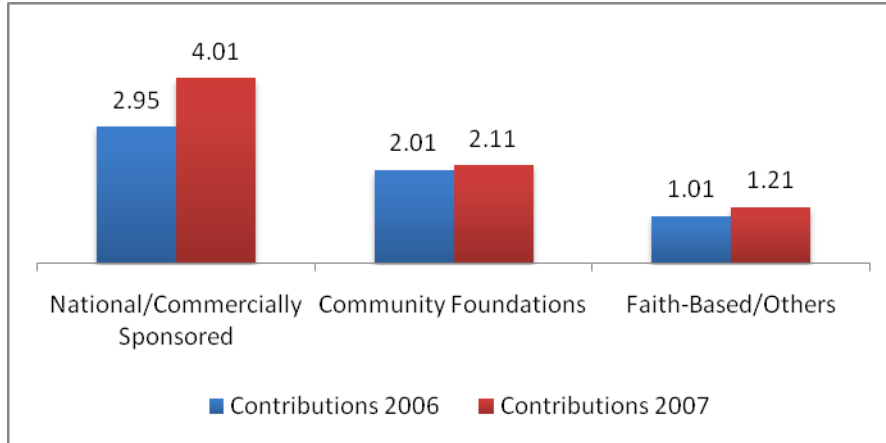
Faith-based and other charitable sponsors of donor advised funds such as universities, and cause-related programs trailed in most categories, but surprisingly service almost the same number of donors as community foundations (see Table 7).

**Table 5: Total Assets by Market Segment (in \$ Billions)**



10. *A Chronological History of Philanthropy in the United States*, edited by National Philanthropic Trust

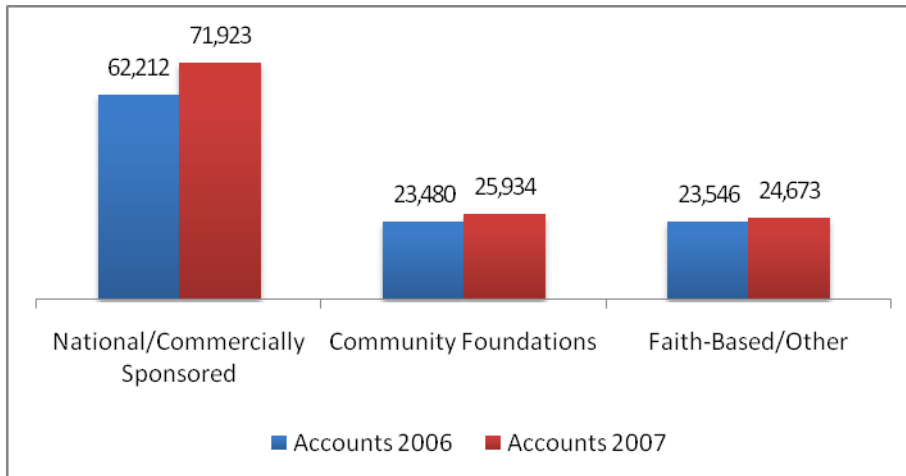
**Table 6: Total Contributions by Market Segment (in \$ Billions)**



The growth of national programs versus that of community foundations and other programs was most pronounced in the dollar amount of their incoming contributions and in the number of their funds. The national programs raised more than the two other market segments combined, and their percentage increase in contributions was 35.7% versus 5.1% for community foundations, and 28.1% for faith-based and other programs.

In Table 7 below, the national programs have attracted almost 72,000 funds, far exceeding the combined total of the other two market segments, with new funds growing by 15.6%.

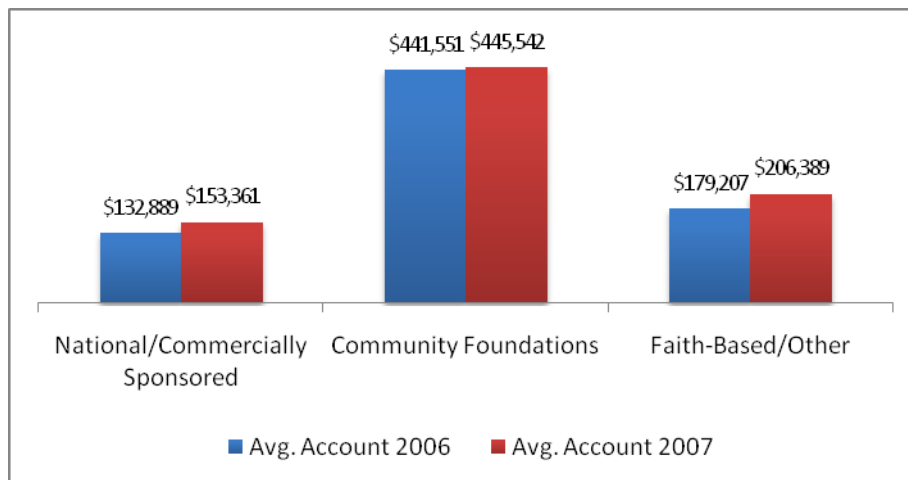
**Table 7: Total Number of Funds by Market Segment**



## Donor Advised Fund Market Segment Growth (cont.)

Community foundations' donor advised funds, on average, tend to be larger than funds in other market segments. It is NPT's opinion that this is due to two factors: fund minimums are higher, and the ages of funds are greater. Some national programs have reduced their fund opening minimums to as little as \$5,000, whereas many community foundation minimums remain at \$25,000 and above. Also, assets in donor advised funds are invested and grow tax-free, therefore compounding of investment gains – particularly during the strong market growth in the 1980s and early 1990s – has caused long-standing funds to grow accordingly. While the majority of community foundations were established in the 1980s, a number have existed and offered donor advised funds throughout the 1950s, 1960s, and 1970s. Conversely, almost every national program was created after 1996.

**Table 8: Average Funds Size by Market Segment**



As illustrated in Table 8 above, national programs experienced the highest growth rate of average fund size (15.4%). Community foundation funds grew 0.90%, and faith-based and other program funds grew 15.2%.

## Market Projections – 2008-2010

While charitable giving is not recession-proof, it does show remarkable resilience. According to Giving USA, charitable giving by individuals has risen in current dollars in every year but one since recording began. The exception was 1987, when a tax law change in 1986 prompted some people to “give early” in order to maximize the deduction available. However, charitable giving does stay level or fall slightly when the national economy is in a recession. For example, the 1969–1970 recession began at the very end of 1969 (and giving that year rose slightly), but giving declined in 1970, a year which had eleven months of recession.<sup>11</sup>

Due to the severe economic downturn, we anticipate that charitable giving in general, and contributions to donor advised funds in particular, could decline (in inflation-adjusted dollars) in the near term. If history is any guide, philanthropy is a lagging economic indicator. Charitable contributions are discretionary, and we expect that individuals will reduce their charitable donations in 2008 and 2009, and will not increase their giving until their confidence in the economy and stock market has stabilized. This would indicate a rebound will likely occur in 2010, and possibly not until 2011.

Despite the economic challenges, individuals will continue to experience events in their lives that will necessitate gifts to charity, and donor advised funds are well-positioned as the charitable giving vehicle of choice for high-net-worth individuals. Some of these life events include:

- Retirement – which may lead executives to exercise the sale of highly-appreciated restricted securities or closely-held stock
- Sale of family business – which may lead owners of companies to make gifts of closely-held stock to offset capital gains.
- Death – which may lead decedents of taxable estates to make gifts in their wills and trusts, creating charitable legacies for generations.

Another important factor is that charitable giving is projected to be fueled by an intergenerational transfer of wealth expected to result in \$21-\$55 trillion in charitable gifts over the next 40 years.<sup>13</sup> With an estimated market penetration between 4% and 6%, donor advised funds should have ample growth opportunities in the coming years.<sup>12</sup>

Due to the challenges in the markets, uncertainties in federal and state tax policies, and the impending retirement of the Baby Boomers, it is NPT's contention that professional advisors and estate planners will continue to play a critical role in the future growth of donor advised funds. Donor advised funds will need to be strategically incorporated into financial and estate planning to insure that the broad range of clients' needs are best being met. Professional advisors can have a competitive advantage if they understand the full range of solutions that donor advised funds can offer. If that happens, NPT believes that the fastest growing segment in the donor advised fund market will remain the national programs, such as National Philanthropic Trust (see Tables 1 and 2), for the foreseeable future.

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11. Giving USA 2008.

12. NPT estimate is based upon the number of individuals in the United States who could reasonably contribute to a donor advised fund --net liquid investable assets in excess of \$1 million (3.03 million from the Cap Gemini World Wealth Report) -- divided by the number of existing donor advised funds (123,000). We utilize a discount factor of 15% on the HNW to account for families filing income tax returns separately, and other factors that may account for overlap.

13. Boston College Center on Wealth and Philanthropy

## 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 has been among the 100 fastest growing charities for six straight years (2003-2008), 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 \$1.5 billion in charitable assets, and made more than 32,000 grants to U.S. and international charities totaling \$900 million. Led by a national board of trustees and a team of professionals with more than 200 combined years of philanthropic experience, NPT has proven expertise in the stewardship of charitable donations. NPT offers donor advised funds, supporting organizations, 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](http://www.nptrust.org).

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