National Philanthropic Trust

Your partner in giving

Philanthropic Planning and the Client Review

Strategic Charitable Planning with Donor-Advised Funds

DAF INSIGHTS FOR ADVISORS

Philanthropy presents a powerful opportunity for advisors to deepen client relationships and expand their practice.

This white paper explores how integrating charitable giving—particularly through donor-advised funds (DAFs)—can enhance financial planning, create multi-generational connections and differentiate advisors in a competitive marketplace.

What's Inside

- **The Philanthropic Opportunity**
  Advisors who incorporate charitable giving into financial planning position themselves as trusted partners, demonstrating a holistic understanding of client goals.

- **DAFs as a Strategic Giving Vehicle**
  DAFs provide clients with a flexible, tax-efficient way to manage their philanthropy, offering control over contribution timing and grant distributions while optimizing financial benefits.

- **Starting and Deepening the Philanthropic Conversation**
  Meaningful conversations about values and charitable interests open the door to deeper engagement, aligning giving strategies with broader financial goals.

- **Integrating DAF Strategies into Client Reviews**
  Weaving DAF discussions into client reviews uncovers opportunities to enhance both charitable impact and financial outcomes.

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The Business Case for Philanthropy in Wealth Management

For many high-net-worth and ultra-high-net-worth individuals, philanthropy is a deeply personal priority. In fact, 90% of wealthy Americans made charitable contributions last year,[1] and one-third want to discuss philanthropy with their advisor before crafting an investment plan.[2] Younger generations are accelerating this shift, seeking to integrate charitable giving into their long-term financial strategies early on.

For advisors, incorporating philanthropy into wealth planning is not just a value-add—it is a competitive advantage. When advisors take the time to understand a client's philanthropic vision, it demonstrates a deeper level of care and commitment, reinforcing the advisor's role as a trusted partner in their overall wealth management strategy. These discussions also open opportunities for more holistic financial planning, including estate planning and tax strategies, all of which strengthen the advisor-client relationship.

Only 27% of wealthy individuals currently discuss philanthropy with their advisors,[3] highlighting a significant opportunity for differentiation and growth.

From an asset management perspective, philanthropy-focused conversations can lead to increased assets under management in several ways:

— **Keeping assets within the advisor's oversight**: If clients establish donor-advised funds (DAFs) or charitable trusts, those assets often remain invested under the advisor's management.

— **Encouraging more complex planning**: Strategic charitable giving often involves appreciated assets, estate plans and tax-efficient wealth transfer strategies, creating more opportunities for the advisor to provide value and manage additional assets.

— **Engaging the next generation**: Conversations about philanthropy often involve heirs, strengthening multi-generational relationships and improving the likelihood of retaining assets across generations.

> With an estimated $124 trillion set to transfer between generations by 2048,[4] advisors who actively participate in family philanthropy are better positioned to deepen client relationships and retain assets.

THE RISE OF DONOR-ADVISED FUNDS

DAFs have emerged as a popular and flexible vehicle for charitable giving. These philanthropic accounts allow donors to contribute assets, invest those assets for potential growth and recommend grant distributions to qualified charities over time.

DAFS AT A GLANCE

1.8 MILLION

DAF accounts are active in the U.S.

$54.77 BILLION

in grants were distributed from DAFs to nonprofits in 2023

DAF grant value has increased

MORE THAN 400%

in the past decade[5]

Integrating Philanthropy into the Client Review

Client reviews provide an opportunity to assess financial progress, make necessary adjustments and reinforce client relationships. They also serve as an ideal time to discuss philanthropy.

Regularly discussing philanthropy—especially DAF activity—ensures that giving strategies remain aligned with clients' financial goals and personal values while also creating opportunities to grow assets under management.

> A study of 1,200 RIAs and Family Offices found that firms incorporating charitable planning saw significantly greater growth:

6X the median assets

3X the median organic growth

1.3X the median new client investments[6]

This guide outlines a structured approach to integrating philanthropic goals and DAF giving into routine reviews.

DAFs provide significant advantages, including tax efficiency and streamlined charitable administration. Advisors who incorporate DAFs into planning discussions offer clients an accessible way to maximize their philanthropy.

National Philanthropic Trust – The Independent DAF Sponsor:
National Philanthropic Trust (NPT) is the largest independent sponsor of DAFs. Our independence offers greater flexibility in the types of assets we can accept, the investment strategies advisors can leverage to grow philanthropic capital and our ability to collaborate closely with advisors and donors to achieve charitable goals.

Reviewing Goals and Recent Life Changes

Client reviews often begin by connecting over the details of life. Are your clients preparing to buy a home, plan for college, retire or sell a business? What changes lie ahead in the coming year—marriage, a growing family or large bonus? These events can carry significant financial implications, shaping strategies and creating natural opportunities to explore charitable giving.

START THE CONVERSATION

If this is your first time discussing philanthropy, ask questions to uncover your client's current approach and identify ways to optimize or expand their giving strategies:

- "Are there **any causes or charities** you currently support? What drew you to them?"
- "How do you typically make **charitable donations**, and how frequently?"
- "What **charitable giving vehicles** do you use? What do you like about them? What challenges have you encountered?"

If your client is unfamiliar with DAFs, introduce the concept in a way that aligns with their giving habits and financial sophistication.

- "Can I share an idea that could **simplify your charitable giving?**"
- "Have you **ever considered a DAF**? It allows you to set aside funds for future giving while taking an immediate tax deduction."
- "Some of my clients, including those with more **complex portfolios,** use DAFs to enhance their impact. Would you be interested in learning how this might work for you?"

DEEPEN THE DISCUSSION

For clients whose philanthropic interests have been established, life changes create natural opportunities to revisit charitable priorities and refine goals:

Connect Changes to Giving Goals

- "Has **[recent life event]** influenced how you think about giving?"
- "Are there any causes or organizations you'd like to support more **intentionally** moving forward?"

IS YOUR CLIENT ALREADY A DAF USER?

If your client has a DAF, conducting regular reviews of their DAF activity ensures their giving remains strategic and aligned with their broader financial and philanthropic goals, while also helping grow assets under management. Encourage clients to:

Set a Giving Timeline
Do they want to give in perpetuity or within a specific window of time?

Set a Philanthropic Budget
Establish how much your clients plan to allocate to their giving next year.

Review Grant Activity
Assess past giving, supported organizations and alignment with their giving priorities.

Plan Contributions
Check available balance and determine what contributions are needed to sustain their giving.

Explore Family Involvement and Legacy

Life changes often involve family dynamics, which tie naturally into legacy planning:

- “How do you **involve your family** in decisions about giving?"
- “When you think about **your legacy**, what do you hope people will remember most?"
- “How do you see philanthropy fitting into **your estate and legacy plan**?"

Align with Financial Shifts

Link financial changes to tax-advantaged giving strategies. If income or assets increase significantly, ask:

- “Have you thought about **charitable strategies** to maximize both your philanthropic impact and tax benefits?”

By incorporating these questions, you help clients see philanthropy as a natural extension of their broader financial goals. Their responses will also guide your discussion as you explore other aspects of their financial plan.

For more information on conducting a thorough DAF account activity review, see The Financial Advisor's Guide to the Donor-Advised Fund Account Check-In.

Investment Portfolio Performance

When reviewing a client's investment portfolio, identify appreciated assets that could be reallocated or donated to support their charitable priorities.

REBALANCING WITH A GIVING LENS

For example, you might recommend portfolio rebalancing with a giving lens by suggesting the donation of appreciated securities held longer than one year. This approach could eliminate capital gains taxes while providing a deduction for the securities' fair market value.

> **Example:** An investor with a target allocation of 60% equities and 40% fixed income has seen strong stock market performance push their portfolio to 70% equities and 30% fixed income. To rebalance, they could sell some appreciated stocks and use the proceeds to buy fixed-income investments, restoring the 60/40 split. However, selling could trigger long-term capital gains taxes—up to 23.8% at the highest rate.[i]
>
> **If your client gives to charity annually, there's a more tax-efficient approach.** Instead of donating cash, they can contribute appreciated stock. This may allow them to avoid capital gains taxes on those shares while freeing up cash to reinvest in bonds, bringing their portfolio back in balance.

DAF CONTRIBUTION TAX BENEFITS

Deduct up to
30% OF AGI
for gifts of stock

Avoid up to
23.8% CAPITAL GAINS TAX
on appreciated assets

Scenario	Traditional Rebalancing	Rebalancing with a DAF
$5M portfolio $3.5M equities $1.5M fixed income **Target Allocation: 60/40**	Sells $500,000 in equities (Cost basis $300,000) Tax Bill: $47,600 (assuming 23.8% tax rate) Uses post-tax proceeds to buy fixed income	Contributes $500,000 in equities to a DAF Tax Bill: $0 Uses cash (earmarked for charity) to buy fixed income
	Rebalanced 60/40 portfolio = $4.95M[ii]	**Rebalanced 60/40 portfolio = $5M (Deduction Value: $500,000)**

[i] The current top marginal tax rate for dividends and long-term capital gains is 23.8%. This is comprised of a 20% marginal income tax and a 3.8% net investment income tax (NIIT)
[ii] For ease of reading, these figures are rounded to two decimal points. The full calculation of the rebalanced portfolio is $4,952,400.

Reviewing DAF Investment Performance

Additionally, reviewing how charitable assets within the DAF are invested and determining if adjustments are needed to align with the donor's giving timeline is important. For example, if a client is preparing to make a significant gift, shifting more funds into cash or cash-equivalent investments may be prudent to ensure liquidity. Regularly reviewing DAF investments ensures they remain aligned with short-term giving plans and long-term philanthropic objectives.

TIP

NPT provides quarterly Donor-Advised Fund statements, offering an opportunity to review charitable assets with clients and discuss potential reallocation.

NPT DAF INVESTMENT OPTIONS

NPT offers a variety of investment options designed to align with charitable goals and risk tolerance. Clients can choose between:

Model Portfolios

Model portfolios serve as efficient, research-backed investment solutions that help streamline client portfolio management. They can be tailored to different risk profiles, from conservative to aggressive.

Segregated Accounts (Subject to minimums)

For accounts exceeding a set minimum balance, financial advisors may propose custom investment strategies beyond the standard model portfolios, allowing for a more tailored approach to meeting clients' philanthropic and financial objectives.

Tax Planning

As you analyze your client's tax exposure, consider the role charitable giving may play in their tax plan for the months and years ahead. Effective tax planning can amplify the impact of their philanthropic contributions and offer opportunities to lower taxable income. Here are some tax-smart strategies to consider:

INCOME TAX STRATEGIES

Donating to qualified 501(c)(3) public charities, such as a DAF, allows clients to claim itemized deductions, lowering their overall tax liability. One way to optimize this benefit is through bunching—consolidating multiple years' worth of donations into a single tax year to exceed the standard deduction threshold. This strategy can be especially useful for clients who typically do not itemize or whose giving does not exceed the standard deduction.

A DAF offers additional flexibility by allowing clients to take an immediate deduction while distributing grants over time in alignment with their charitable goals. Clients can also maximize tax benefits by strategically timing gifts. While annual deductions are subject to adjusted gross income limits, any excess can be carried forward for up to five years.

CAPITAL GAINS TAX STRATEGIES

For clients holding long-term appreciated assets—such as stocks, mutual funds or real estate—charitable giving can help reduce or eliminate capital gains taxes. Donating these assets directly to a DAF allows clients to avoid capital gains taxes (potentially up to 23.8%) while receiving a deduction for the gift's fair market value. In contrast, donations of appreciated assets (other than publicly traded stock) to a private foundation are deductible only up to their cost basis.

WHAT WILL NPT ACCEPT?

NPT is an expert and thought leader in converting illiquid assets into philanthropic capital. We will consider any asset, from appreciated stock to art collections, for a charitable contribution.

Liquid Assets

- Cash
- Publicly Traded Securities
- Bonds
- Exchange-Traded Funds
- Mutual Funds

Complex Assets

- Restricted and Control Securities
- Private Business Interests (C-corp, S-corp, LLC, LP)
- Cryptocurrency
- Alternative Investments (Hedge Funds, Private Equity, VC Funds)

Tangible Personal Property
(Deduction is the lesser of the cost basis or fair market value)

- Art
- Collectibles
- Jewelry

BUSINESS TRANSITIONS

Business transitions are particularly opportune moments to consider charitable contributions. For many business owners, the year they sell their business represents the highest income and tax liability of their lifetime. By donating a portion of the business stock to a charitable vehicle, such as a DAF, before the sale, clients can achieve significant tax savings while funding their philanthropy in the long term.

With nearly 3 million privately held employer firms in the U.S. owned by individuals aged 55 or older,[9] many business owners will face major liquidity events in the coming years—creating opportunities for charitable giving.

> **Example:** A business owner is preparing to sell their $14 million trucking company and wants to give back to the community that helped make their success possible. They have both a private foundation and a DAF, each serving different philanthropic needs. They value the control and ability to involve family members in their giving, which is why they established a private foundation. At the same time, they appreciate the anonymity and grantmaking flexibility of a DAF. To maximize their impact, they choose to donate $2.5 million in privately held shares with a $0 cost basis to their DAF, taking advantage of its favorable tax treatment.

Scenario[iii]	Gift Shares to Private Foundation	Gift Shares to DAF
Business Value: $14M Cost Basis: $0 Planned Charitable Contribution: $2.5M	Income-Tax Deduction: Cost basis, 20% of AGI ($0) Capital Gains Tax Savings: $595,000	Income-Tax Deduction: Fair Market Value, 30% of AGI ($2.5M) Capital Gains Tax Savings: $595,000
	Tax Avoided: $595,000	**TAX AVOIDED: $1.5M[iv]**

[iii] This hypothetical example assumes a 37% marginal income tax rate and a capital gains rate of 23.8%, inclusive of a 3.8% NIIT. It also assumes the business interests have been held for longer than one year, and a zero-cost basis in the stock. Finally, this sample calculation assumes no valuation discounts.

[iv] For ease of reading, these figures are rounded to one decimal point. The tax avoided in the scenario where the donor contributes shares of the business prior to sale is $1,520,000.

Planning for Retirement and Charitable Giving

Preparing for retirement and ensuring your clients have enough resources to fund the rest of their lifetime spending raises important questions about how to allocate assets, which resources will fund lifetime spending and when they should be accessed. By introducing DAFs into retirement planning discussions, advisors can help clients strategically allocate assets for charitable purposes.

DAFS AS A CHARITABLE NEST EGG

A DAF offers a streamlined solution for clients who wish to set aside surplus assets for philanthropy. It provides flexibility, control and tax advantages.

Optimizing Tax Efficiency

High-income years present an ideal opportunity to fund a DAF with appreciated securities or other assets. Contributions can generate immediate tax deductions, mitigating high marginal tax rates while removing taxable gains from the portfolio.

Aligning Assets with Long-Term Goals

Surplus assets allocated to a DAF can grow tax-free, providing a sustainable source for charitable giving in retirement without impacting lifetime spending needs.

> **Example:** After decades at a tech firm, your client is preparing to retire. Their final working year brings their highest earnings yet, thanks to bonuses and stock payouts—along with a significant tax burden. A longtime supporter of STEM education, they want to ensure continued funding for scholarships that help underrepresented students pursue careers in technology. To do so, they contribute a substantial sum to their DAF before year-end. This strategy allows them to:
>
> - **Maximize their tax deduction** in a high-income year
> - **Establish a charitable reserve** to sustain their giving over time
> - **Invest their contributions** for potential growth

QCDS & RETIREMENT DISTRIBUTIONS

A Qualified Charitable Distribution (QCD) allows clients 70½ or older to donate directly from an IRA to a qualified charity—satisfying required minimum distributions (RMDs) without incurring income tax.

QCDs cannot be made to DAFs, private foundations, or supporting organizations. However, clients can still use retirement accounts for charitable giving by naming a DAF as a beneficiary in their estate plan.

Estate and Legacy Planning

During annual reviews, estate plans should be assessed as part of a holistic strategy that ensures tax efficiency, wealth transfer and fulfillment of personal values. Key considerations include:

— **Ensuring Documents Reflect Current Intentions**: Review wills, trusts, beneficiary designations and DAF legacy plans to confirm they reflect recent life changes, such as marriage, the birth of children or significant changes in financial standing.

— **Identifying Tax-Saving Opportunities**: Use this time to evaluate transfer tax strategies, including the role of charitable giving in reducing potential liabilities.

— **Optimizing Charitable Bequests**: Advisors can guide clients in structuring bequests to make a lasting philanthropic impact while addressing their broader estate planning goals.

NPT DAF LEGACY PLAN OPTIONS

A Legacy Plan helps ensure that the assets in your client's DAF continue to support their giving goals for years to come. NPT offers flexible options that can be combined to create a plan tailored to individual priorities.

Involve Others

- **Name Advisors:** Designate joint advisor(s) to recommend investments and grants now and manage the DAF after your client's death.
- **Name Successor Advisors:** Appoint one or more successor advisors to manage a new DAF account funded by remaining assets.

Name Charitable Beneficiaries

- **Give in Full:** Distribute the remaining DAF assets in a single grant to one or more named charities.

Endow (Subject to DAF minimums)

- Create an endowment to distribute assets over time through annual, recurring gifts to selected charities.

STRATEGIES FOR INCORPORATING DAFS INTO ESTATE PLANS

- **DAFs as Beneficiaries:** DAFs can be named beneficiaries of retirement accounts, life insurance policies, wills or trusts. Neither heirs nor the estate will pay income taxes on the distribution of the assets.
- **Facilitating Intergenerational Philanthropy:** DAFs can include provisions for successor advisors, allowing children, grandchildren or other family members to continue recommending grants. This fosters a shared legacy.
- **Using DAFs to Give Posthumously:** Clients can leverage their DAFs to establish posthumous grantmaking schedules, delivering long-term support for causes they care about.
- **Flexibility for Changing Priorities:** DAFs allow clients to adjust their charitable giving strategies as personal priorities and community needs evolve, avoiding the need to amend wills or trusts.

> **Example:** A family with a Charitable Remainder Trust (CRT) designates their DAF as the remainder beneficiary, providing flexibility in their charitable giving. This approach removes the pressure of selecting specific charities up front and allows future generations to stay engaged in philanthropy after the income beneficiary's passing.

LOOKING FOR ADDITIONAL GUIDANCE?

NPT's Philanthropic Consulting team is here to support donors as they consider their legacy.

- Facilitate discussions about philanthropic visions and values.
- Help document guidelines for future giving.
- Work with families to identify shared goals and roles.

Manage Action Items

Action items may arise during your client review. Use this matrix to connect with the NPT teams to help you take the next steps.

How We Can Help	Connect with NPT
PHILANTHROPIC STRATEGY DEVELOPMENT	
— Identifying mission, vision and values — Developing a giving strategy — Building a philanthropic portfolio — Evaluating grantees — Conducting site visits — Giving as a family — Defining a legacy plan	**NPT Philanthropic Solutions Group** philanthropicsolutions@nptrust.org 888-878-7900
ASSESS DAF GIFTING OPPORTUNITIES	
— Pre-transaction gift planning — Donor consults and collaboration with centers of influence — Contributions of complex assets	**NPT Advisor Services** advisorservices@nptrust.org (888) 675-8383
EXPLORE SPECIALIZED GRANTMAKING	
— International grantmaking — Custom grant agreements (benchmarking, matching or challenge provisions, restrictions on usage, etc.)	**NPT Donor Relations** npt@nptrust.org 888-878-7900

ABOUT NATIONAL PHILANTHROPIC TRUST

Founded in 1996, National Philanthropic Trust (NPT) is the nation's largest independent sponsor of donor-advised funds (DAFs). Combining personalized support with exceptional service, NPT simplifies complex charitable giving, empowering donors, and the advisors and financial institutions who serve them, to achieve philanthropic goals with ease and impact.

[1] The Pursuit of Philanthropy: What Drives High-Net-Worth Individuals' Passion for Giving?, Bank of America

[2] 2024 Bank of America Private Bank Study of Wealthy Americans, Bank of America Institute

[3] The Pursuit of Philanthropy: What Drives High-Net-Worth Individuals' Passion for Giving?, Bank of America

[4] Cerulli Anticipates $124 Trillion in Wealth Will Transfer Through 2048, Cerulli Associates

[5] The 2024 DAF Report, National Philanthropic Trust

[6] Advanced Analytics, Fidelity Institutional

[7] The Silver Tsunami of Retiring Business Owners, Project Equity

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