DAF Insights for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

Do Your Clients Need to Update their Estate Plans? Here's How a Donor-Advised Fund Can Help

By Eric Joranson, Senior Director, Advanced Strategies

More than half of Americans lack an up-to-date estate plan, according to the National Association of Estate Planners & Councils. Even so, most people want to protect and provide for loved ones, minimize taxes and possibly establish a legacy. With a donor-advised fund (DAF), your clients have a powerful tool to help with their estate planning goals.

Ensuring a Charitable Legacy

Most people think of DAFs as a giving vehicle that helps streamline and simplify charitable giving during their lifetimes. While that's certainly true, a DAF can also help ensure that your clients' charitable work continues for future generations. For instance, your clients can appoint family members to work with them as advisors, collaborating on how funds are invested and granted to charities.

National Philanthropic Trust (NPT) also offers flexible legacy plans to meet the different estate planning goals your clients may have. Succession options include:

- Naming charitable beneficiaries to receive remaining DAF assets
- Endowing a DAF to continue making grants to designated charities for as long as possible
- Naming a joint advisor on the DAF to recommend grants now and to assume responsibility of the DAF after your client's passing
- Splitting DAF assets up at death into multiple accounts for individual successors
- Recommending that a portion of the remaining DAF assets goes to appointed charities and a portion to heirs to advise

Your clients will take comfort knowing that with a DAF, their heirs will receive a philanthropic inheritance that requires no paperwork, tax filing or other administrative burdens. Their only responsibility is to continue the joy of giving by recommending grants.

Minimizing Taxes—and Giving More

Bequests to a DAF avoid the 40% estate tax rate, allowing donors to save 40 cents for every dollar they give to charity and ultimately increasing the amount they can leave to the causes and organizations dear to them. If a donor resides in a state with an estate tax, the savings could be even greater.

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With today's estate tax exemption of $11.4 million for individuals and $22.8 million for couples, however, fewer estates are subject to taxes. This has shifted the conversation estate planning attorneys have with their clients from minimizing future estate taxes to reducing income taxes today.

A recent study by FreeWill, an online estate planning platform, found that nearly 14% of its users included charitable bequests totaling an average of $108,482 in their wills. By starting a DAF or endowing one during life, those individuals could enjoy the benefit of a charitable deduction against income taxes today. What's more, if they contribute non-cash assets like real estate or closely held stock, they can avoid incurring capital gains taxes.

Using a DAF means that estate planning doesn't have to be a dreaded financial task—but a chance for clients to think about their philanthropic legacy.

If you'd like more information, please don't hesitate to reach out to our experts at npt@nptrust.org or by phone at (888) 878-7900.

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