



Six Steps to Making the Most of Your New Donor-Advised Fund

By René Paradis, Chief Operating Officer

If you recently established a donor-advised fund (DAF), you are not alone. In just one year, the number of DAFs soared by 55.2%—from 469,331 to 728,563—according to [National Philanthropic Trust's 2019 DAF Report](#). Some of these new donors may have rushed to open a DAF at year-end. Others may have experienced a sudden event—such as a large bonus or the sale of a business—that prompted them to open a DAF. Whatever your circumstances, you may be in need of some advice about how to use your [flexible new giving tool](#).

You can start making the most of your DAF with these six steps:

- 1. Review your legacy plan, which includes naming successor advisors and charitable beneficiaries.** A legacy plan isn't required for opening a DAF, but having one is a good idea. It ensures that the charitable assets in your DAF will be distributed the way you intend when you're no longer here. If you established a DAF without making your legacy plan selection, all you need to do is fill out an [account update form](#) in which you designate charitable beneficiaries to receive your remaining DAF assets, or you can name individual successors to become primary advisors on a new DAF to be funded with your DAF assets. You can also leave a percentage of your DAF assets to individual successors and a percentage to charitable organizations.
- 2. Consider involving your family in charitable giving.** You may wish to update your account to include secondary advisors—such as your children—to share the responsibility of creating a [family giving plan](#) and making investment and grant recommendations. Family giving is a great way to work together and establish a giving tradition for generations to come.
- 3. Define your charitable goals—if you haven't already done so.** A mission statement and a clear [charitable giving strategy](#) will help you be more effective with your giving. If you need support creating your mission and giving plan, NPT's [Philanthropic Services team](#) is here to help.
- 4. Determine how much you plan to grant to charities each year.** Make a list of the [nonprofits you want to support](#) and how much you plan to grant to each one. It's also a good idea to consider the timing of your grant recommendations. Would you like to schedule recurring grants in advance? It is often helpful for grantees to have a steady flow of income rather than one big grant at year-end.
- 5. Assess whether your DAF account is adequately funded for your giving goals.** Once you know how much you plan to recommend in grants each year, make sure your DAF has the assets to cover your planned grantmaking. If you think you'll fall short, consider meeting with your financial advisor to determine whether you can contribute more—and, if so, what assets make the most sense to give. For instance, instead of donating cash, many donors find that giving appreciated assets—like stocks, mutual funds or bonds that they've owned for more than a year—can [save money on taxes](#) and allow them to give more.

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6. Review your investment allocation. Just as you periodically review the asset allocation in your investment accounts, make sure you have the right allocation in your DAF. Your DAF sponsor also may occasionally change the investment offerings that you can recommend for your account, providing you with new investment options. Finally, some donors review their investment recommendations to make sure that the investments in their DAFs are aligned with their charitable goals. Many of these donors turn to [impact investing](#) as a powerful way to achieve both financial and philanthropic goals simultaneously.

For more information about how to make the most of your donor-advised fund, please contact National Philanthropic Trust by phone at (888) 878-7900 or by email at npt@nptrust.org.

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