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DONOR-ADVISED FUND SPOTLIGHT:
DAF Grant Payout Rates

Executive Summary

NATIONAL PHILANTHROPIC TRUST is proud to publish the first entry in our *Donor-Advised Fund Spotlight* series. The *Spotlights* will dive deeper into data related to donor-advised funds and their application in philanthropy and the social sector. The first entry focuses on the DAF grant payout rate, an important metric which factors in both grants and charitable assets. It can help us understand how active DAF donors are within a given time frame and how much more they have—and are typically investing—for future grantmaking.

This *Spotlight* shows the grant payout rate using several payout formulas for the aggregate DAF sector and subcategorizes the data by DAF sponsor type. Regardless of which formula is used or which subsector is analyzed, there are several clear observations:

- **Grant payout rates from DAFs have been consistent for more than a decade through social changes and economic cycles.**
- **DAF grant payout rates exceed that of private foundations by a factor of three to six times, depending on the payout formula. DAFs' charitable assets equate to only 14 percent of private foundations' charitable assets.**
- **When looking at DAFs by sponsor type, National Charities have payout rates higher than the aggregate DAF sector; Community Foundations have the narrowest range of payout rates using all formulas; and Single-Issue Charities have the highest payout rates of all sponsor types.**
- **The 12-year compound annual growth rates (CAGR) of grants and charitable assets are nearly identical (13.1 percent and 13.4 percent respectively), confirming DAFs are both generous and sustainable sources of support for charities.**

The consistency across years and sponsor types, as well as the parallel growth in grants and charitable assets, is significant because it dispels the myth that DAF sponsors of any type are “warehousing wealth.” DAFs have played an important role in philanthropy in the past few decades and have been particularly critical in challenging times, including the past year and a half during the pandemic and defining social movements. We do not yet have full data for 2020 but past experience and historical trends can shape our prediction: DAF grant payout will climb over the next two years.

As DAFs continue to grow and evolve, we will continue to analyze these giving vehicles in new ways. DAF data, including grant payout rates, can help inform DAF donors, DAF sponsors, policymakers and future philanthropists about the impact DAFs have on the charitable sector.

About DAF Grantmaking Payout

THE DAF GRANTMAKING PAYOUT RATE is the percentage of DAF charitable assets granted each year to qualified charities. There are three important considerations to note when analyzing DAF grant payout:

- **First, charitable assets decrease or increase each year for multiple reasons: contributions to DAFs, grants from DAFs and market changes for invested charitable assets.**
- **Second, grant values from DAFs only include grant dollars distributed to qualified charities. Grants from DAFs do not include any of the DAF sponsor's operating expenses. This is a key difference in payout calculation between DAFs and private foundations, where allowed grantmaking-related operating expenses such as travel and vendor payments are included in the legally required five percent payout.**
- **Third, there is no legally required payout requirement for DAFs. As such, there are several reasonable ways to calculate payout. These methods are represented in Figure 3.**

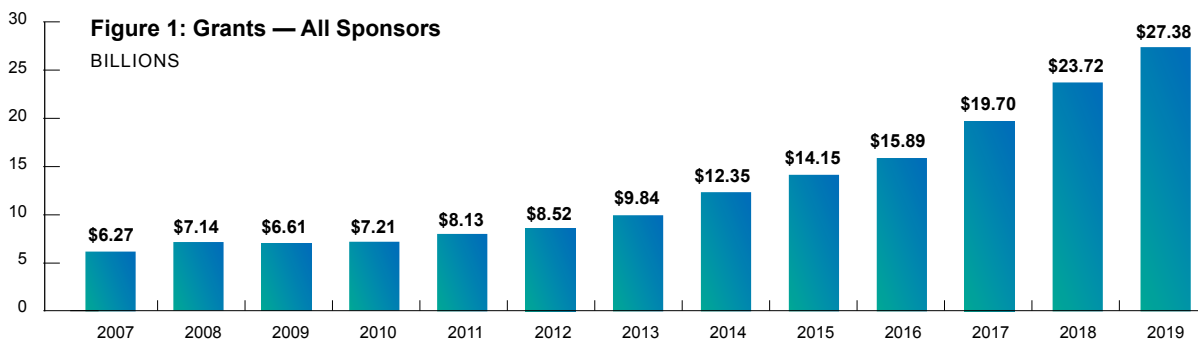
NPT uses the [Candid](#) Method in our annual *Donor-Advised Fund Report* and as the primary references in this *Spotlight*. Candid, a data and education resource for nonprofits and funders, developed a simplified formula to estimate private foundation payout. We use the Candid Method because it offers the best comparative analysis to private foundations; reflects common budget techniques; and most accurately reflects practical realities of DAF operations, such as the time it takes for a DAF sponsor to accept and liquidate assets to make funds available for grantmaking. Learn more about the formulas used here in the Methodology section.

Historical Aggregate DAF Grant Payout Rate

DAF GRANT PAYOUT RATES ARE CALCULATED using annual DAF grant and charitable assets data. To best understand grant payout, let's first look at historical trends on these two individual data points.

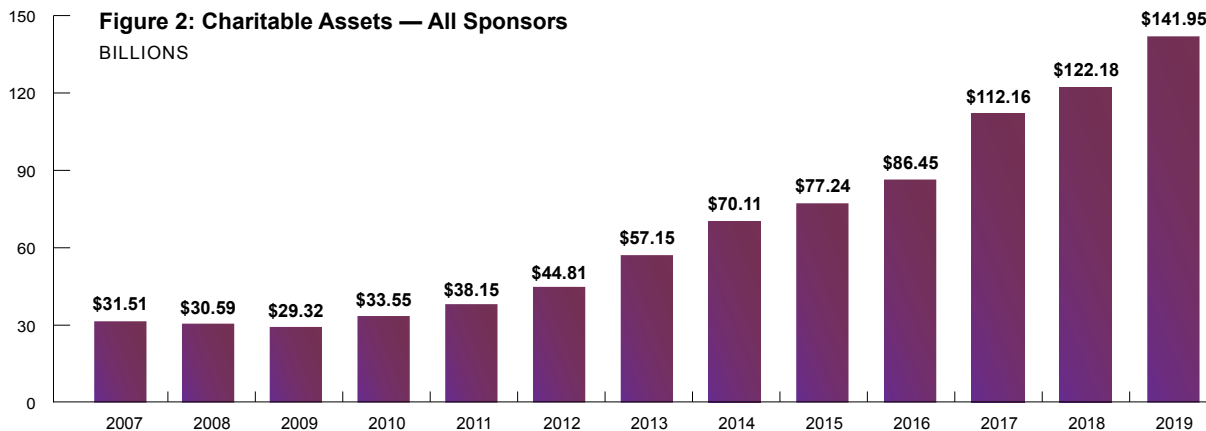
Grants

Figure 1 shows the growth in grants from DAFs to qualified charities from 2007 through 2019. Grant dollars distributed increased from \$6.2 billion in 2007 to \$27.38 billion in 2019, a 337 percent increase. It is important to note that grantmaking from DAFs has increased every year on record except one, at the height of the Great Recession. Total individual giving in the US declined four times during that same period.¹ Grant dollars from DAFs have increased more rapidly in recent years.



Charitable Assets

Figure 2 shows the growth in charitable assets in DAFs from 2007 through 2019. Charitable assets increased from \$31.51 billion in 2007 to \$141.94 billion in 2019, a 351 percent increase. This period coincides with both the economic recession between 2007 and 2009 and the longest-running bull market and economic expansion in American history, an important note as most DAF charitable assets are invested.

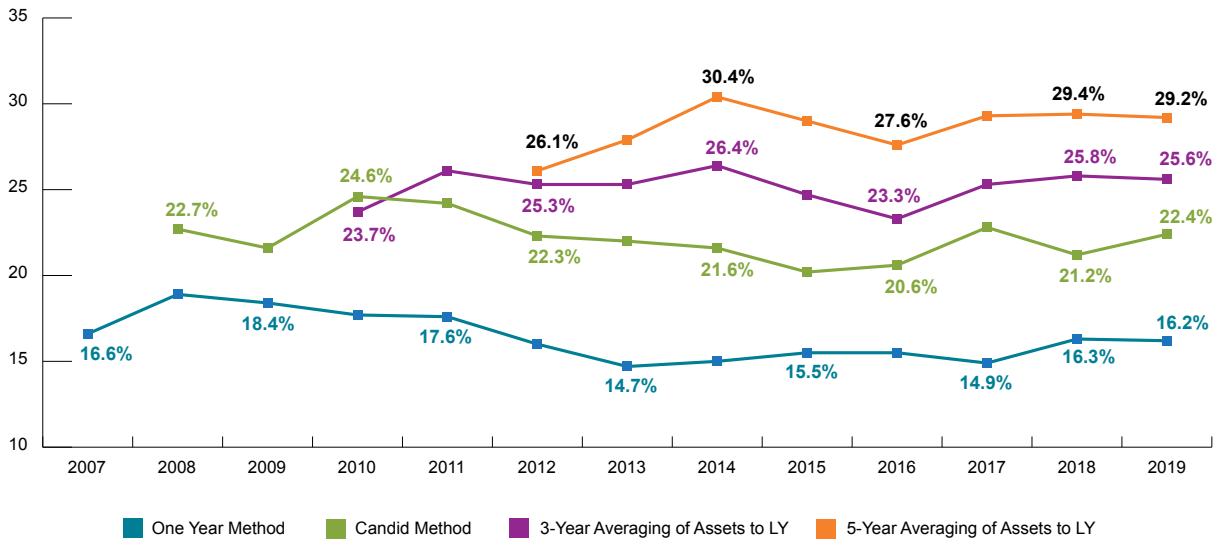


¹Total individual charitable giving declined from the prior year in 2008, 2009, 2013, and 2018. *Giving USA 2021.*

Grant Payout Rate

Figure 3 compares different formulas to calculate aggregate DAF grant payout rates. In our annual *Donor-Advised Fund Report* and this *Spotlight*, NPT replicates a formula that Candid uses to estimate payout from private foundations. The other three formulas presented are alternative ways to look at payout.² Individually, the formulas result in a grant payout rate between three and six times higher than that of the minimum required from private foundations.

Figure 3: Comparison of Payout Rates Using Different Calculation Methods
ALL SPONSORS, 2007–2019*



Data: National Philanthropic Trust from IRS Forms 990

* 2018 and 2019 values include estimates for sponsors whose IRS Forms 990 were not on file at the time of the 2020 *Donor-Advised Fund Report*.

² The Three and Five Year Average formulas use the current year's grants and the previous three or five year average of charitable assets to determine payout. Both formulas are allowed by the IRS as a way for private foundations to calculate their payout. The One Year formula is the way NPT used to calculate payout prior to adopting the Candid formula in 2014.

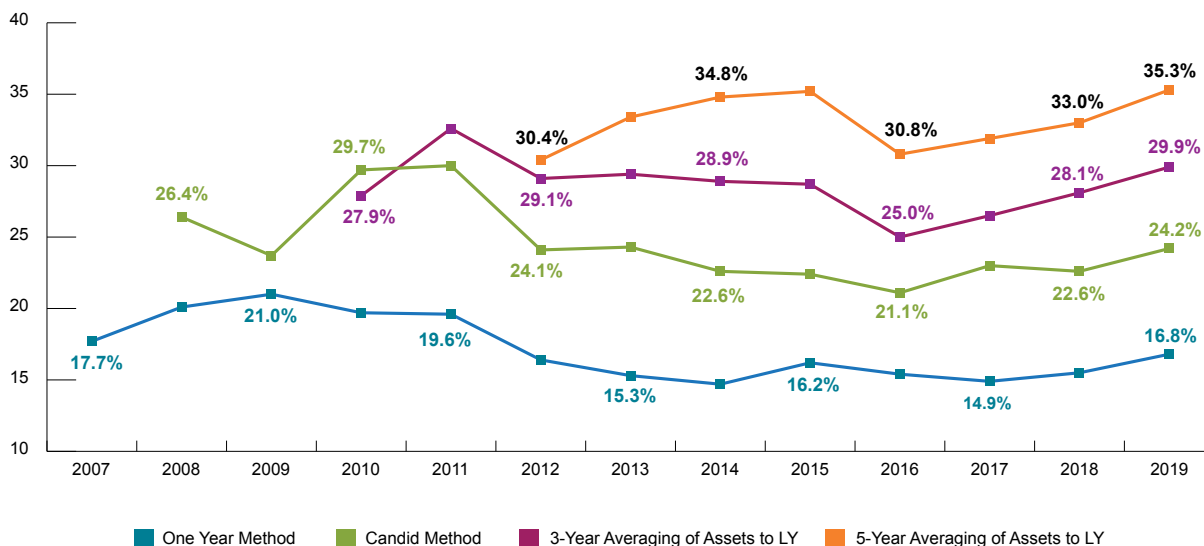
Historical Grantmaking Payout Rates From National Charities

NATIONAL CHARITIES are DAF sponsors with a national focus in both fundraising and grantmaking. The largest National Charities emerged in the 1990s.

In 2019, grants from National Charities represented 64.2 percent of all DAF grants and 51.5 percent of total charitable assets. Using the Candid formula, the grant payout rate from DAFs at National Charities was 24.2 percent in 2019.³ The twelve-year average grant payout rate was 24.5 percent, with a low of 21.2 percent in 2016 and a high of 30.0 percent in 2011.

As shown in Figure 4, payout rates from National Charities have stabilized in a fairly narrow range since 2012 when using either the Foundation Center formula or the One-Year formula. Historically, grant payout rates at National Charities are higher than the sector-wide DAF payout rate.

Figure 4: Comparison of Payout Rates Using Different Calculation Methods
NATIONAL SPONSORS, 2007–2019*



Data: National Philanthropic Trust from IRS Forms 990

* 2018 and 2019 values include estimates for sponsors whose IRS Forms 990 were not on file at the time of the 2020 Donor-Advised Fund Report.

³ 2008 is the first year for which the data are available for total assets at the end of the prior year.

Historical Grantmaking Payout Rates From Community Foundations

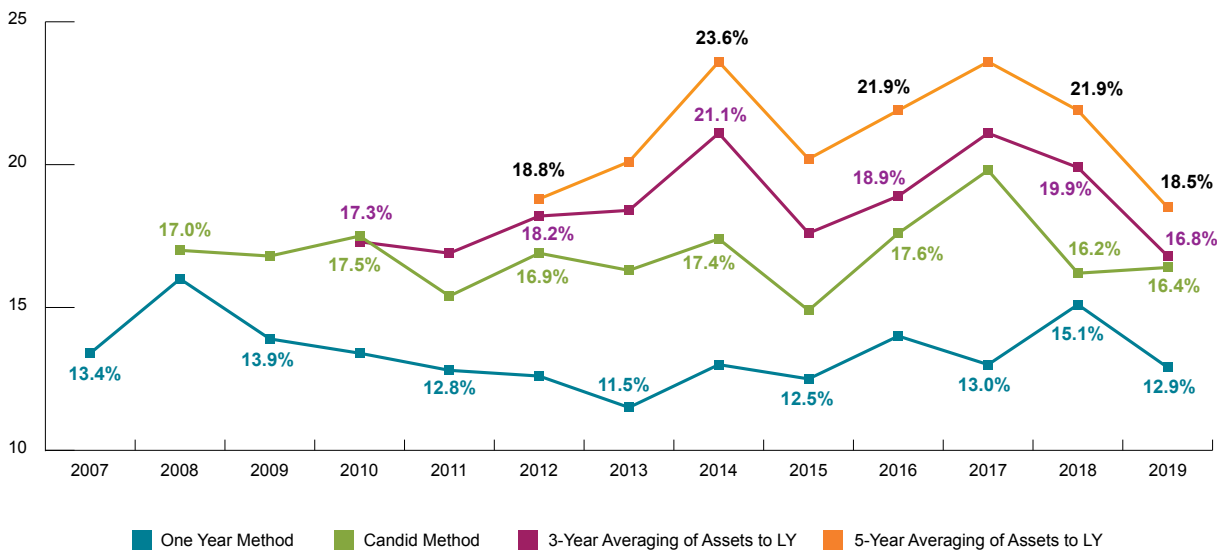
COMMUNITY FOUNDATIONS are charitable organizations that carry out charitable interests for the benefit of a defined geographic area, typically no larger than a state. Community Foundations were the originators of DAFs in the 1930s.

In 2019, grants from Community Foundations represented 20.6 percent of all DAF grants and 28.3 percent of total charitable assets. Using the Candid formula, the grant payout rate from DAFs at Community Foundations was 16.4 percent in 2019. The 12-year average payout rate for Community Foundations is 16.9 percent, ranging from a 14.9 percent low in 2015 to a 19.8 percent high in 2017.

For every year on record, Community Foundation DAFs have the lowest payout of all DAF sponsors. When looking at different payout calculation methods in Figure 5 below, Community Foundation DAFs grant payout is consistently above 11 percent at its lowest (using the One Year formula), doubling that of private foundations. Some Community Foundations are nearly a century old, and therefore have long, sometimes multigenerational relationships with their DAF donors. As such, they may be more likely to sponsor DAFs that grant more modestly and preserve a portion of the DAF's charitable assets to grant over a set period of years into the future or in perpetuity. These DAFs are sometimes called "endowed DAFs" because they are designed to function like other endowed giving structures.

Figure 5: Comparison of Payout Rates Using Different Calculation Methods

COMMUNITY FOUNDATION SPONSORS, 2007-2019*



Data: National Philanthropic Trust from IRS Forms 990

* 2018 and 2019 values include estimates for sponsors whose IRS Forms 990 were not on file at the time of the 2020 Donor-Advised Fund Report.

Historical Grantmaking Payout Rates From Single-Issue Charities

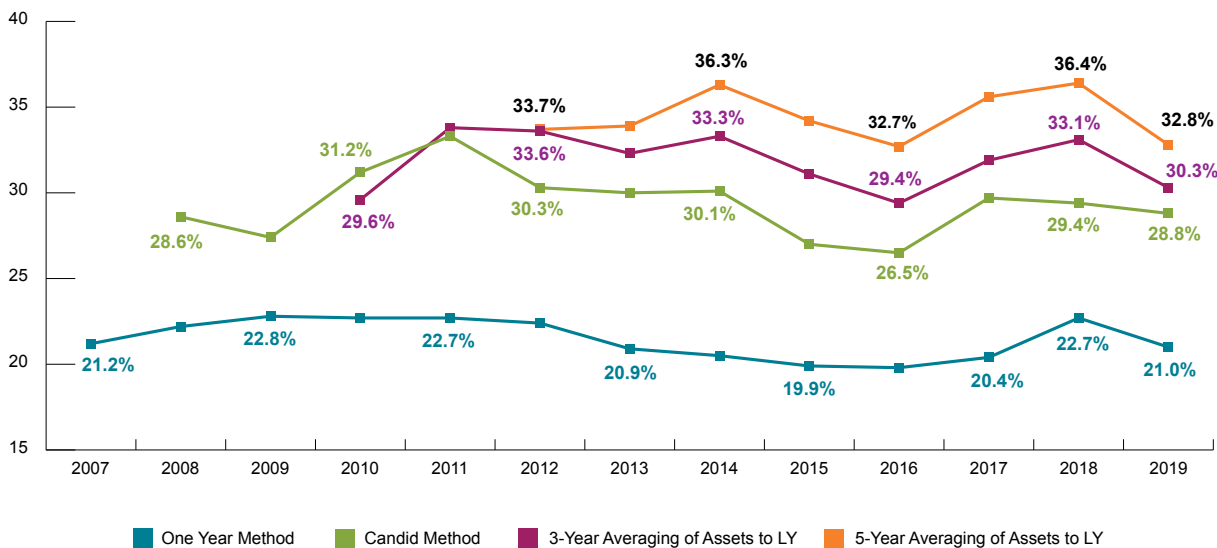
SINGLE-ISSUE CHARITIES are DAF sponsors that work—and often direct grants—to a specific topic. Common Single-Issue Charities include faith-based organizations and universities, as well as charitable organizations focused on the environment, social justice and international relief.

In 2019, grants from Single-Issue Charities represented 14.1 percent of all DAF grants and 10.2 percent of total charitable assets. Using the Candid formula, the grant payout rate from DAFs at Single-Issue Charities was 28.8 percent in 2019. The 12-year average payout rate is 29.4 percent, with a 26.5 percent low in 2016 and 33.3 percent high in 2011. See Figure 6 below.

Single-Issue Charities yield the highest payout rate of all sponsor types and also have the narrowest range of grant payout rates. Single-Issue Charities sometimes have grantmaking policies that require a percentage of each contribution to the DAF or the DAF’s charitable asset balance be granted to the DAF sponsor.

Figure 6: Comparison of Payout Rates Using Different Calculation Methods

SINGLE-ISSUE SPONSORS, 2007-2019*



Data: National Philanthropic Trust from IRS Forms 990
 * 2018 and 2019 values include estimates for sponsors whose IRS Forms 990 were not on file at the time of the 2020 Donor-Advised Fund Report.

Conclusion

The consistency in the grant payout rate over more than a decade and across DAF sponsor types demonstrates that DAF donors are giving at steady rates regardless of which type DAF sponsor they choose. This is an important observation that challenges the notion that some sponsor types are “warehousing wealth.”

Similarly, the long-term rates of change for both DAF grants and assets are nearly parallel. Grants from all DAFs have increased by a compound annual growth rate (CAGR) of 13.1 percent from 2007 to 2019, compared with charitable assets, which have a 13.4 percent CAGR increase in the same period. These nearly identical rates of change also help dispel the idea that DAF charitable assets are increasing significantly faster than grants in aggregate.

When DAF payout rates increased during the Great Recession, it showed that DAF donors were committed to supporting nonprofits during times of distress. Today, we see the same groundswell of charitable support in the face of so many challenges—from the COVID-19 pandemic to the longstanding racial inequalities in our society. It is very likely that grant payout rates will rise further over the next two years as DAF donors use their giving vehicles to both address immediate and pressing issues and prepare for the future.

About this *Spotlight*

This *Spotlight* provides a thorough analysis of historical donor-advised fund grantmaking payout rates, using data collected as part of our annual *Donor-Advised Fund Report*.

Methodology and Terminology

This *Spotlight* relies on data collected as part of our annual Donor-Advised Fund Report. NPT began tracking DAF data for this report in 2007. Since that time, we have analyzed 62 National Charities, 630 Community Foundations and 395 Single-Issue Charities for a total of 1,087 DAF sponsors. This *Donor-Advised Fund Spotlight* relies on data from all charitable sponsors that reported DAF assets in any year from 2007 through 2019. Fiscal Year 2019—which can begin as early as April 1, 2018 and end as late as December 31, 2019—is the most recent year for which enough data is available for estimates and analysis.

More information on data sources and continuous updates can be found in the [2020 Donor-Advised Fund Report's Methodology](#) section. Terminology and other definitions can be found in the Glossary of Terms.

Formulas

DAF grant payout formulas used in this *Spotlight*:

- **Candid Method** is based on grants made this year divided by assets held at the end of last year. This can be represented at

$$\text{Payout} = \frac{\text{Grants TY}}{\text{Assets LY}}$$

where TY = This Year and LY = Last Year

- **One-year method** is this year's grants divided by this year's end-of-year assets plus this year's grants, on the assumption that all money in a DAF at any point of the fiscal year was available for grantmaking.

$$\text{Payout} = \frac{\text{Grants TY}}{\text{Assets TY} + \text{Grants TY}}$$

- **3-Year Averaging of Assets to Last Year (LY)** is grants this year divided by the average value of assets last year, the year before last, and two years ago.

$$\text{Payout} = \frac{\text{Grants TY}}{\text{Average of (Assets LY, Assets LY - 1, Assets LY - 2)}}$$

- **5-Year Averaging of Assets to LY** is grants this year divided by the average value of assets from five year ago to last year. For 2012, this means grants made in 2012 divided by the average of assets held at year-end in 2007, 2008, 2009, 2010, and 2011.

$$\text{Payout} = \frac{\text{Grants TY}}{\text{Average of (Assets LY, Assets LY - 1, Assets LY - 2, Assets LY - 3, Assets LY - 4)}}$$





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