



# Understanding Donor-Advised Funds: And How to Customize Your Solicitation Strategy

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**DAFRC**

Donor Advised Fund Research Collaborative

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# Agenda

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1. *How* DAFs work and *Why* people use them
2. Key Themes from the Latest Research
3. Donor Profiles
4. Finding, Cultivating, Soliciting, Stewarding

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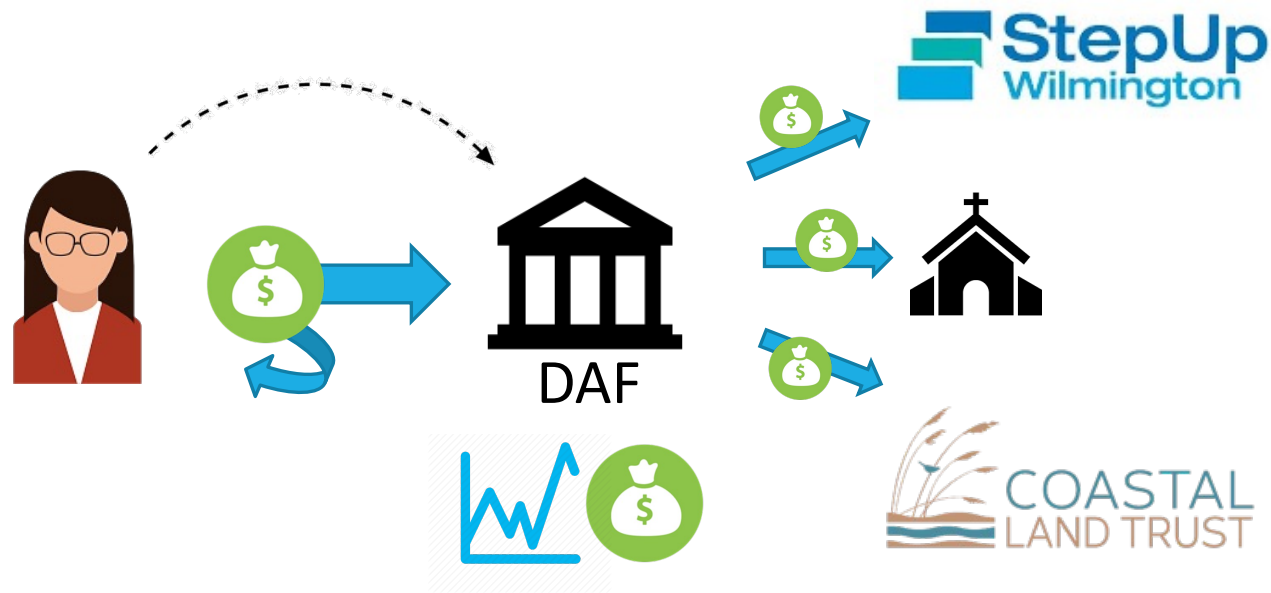
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# How Do DAFs Work?

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1. Donor makes a tax-deductible contribution to the DAF
2. DAF sponsor invests & manages assets for donor
3. Donor “advises” the sponsor to make grants to charities



# Why use a DAF?

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1. Immediate tax deduction
2. Time for grant-making
3. Low cost
4. Ease of use
5. Receipt of non-cash assets
6. Potential anonymity
7. Simplifies record keeping
8. Involve family



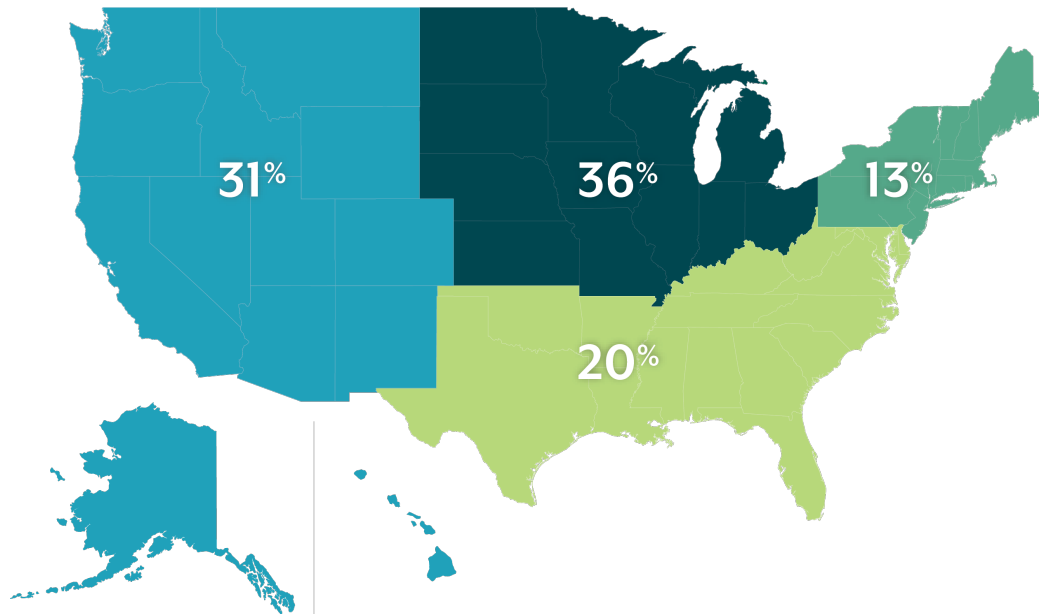
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# Overview of DAFRC Sample

21 DAF Sponsors – Community foundations and religiously-affiliated orgs

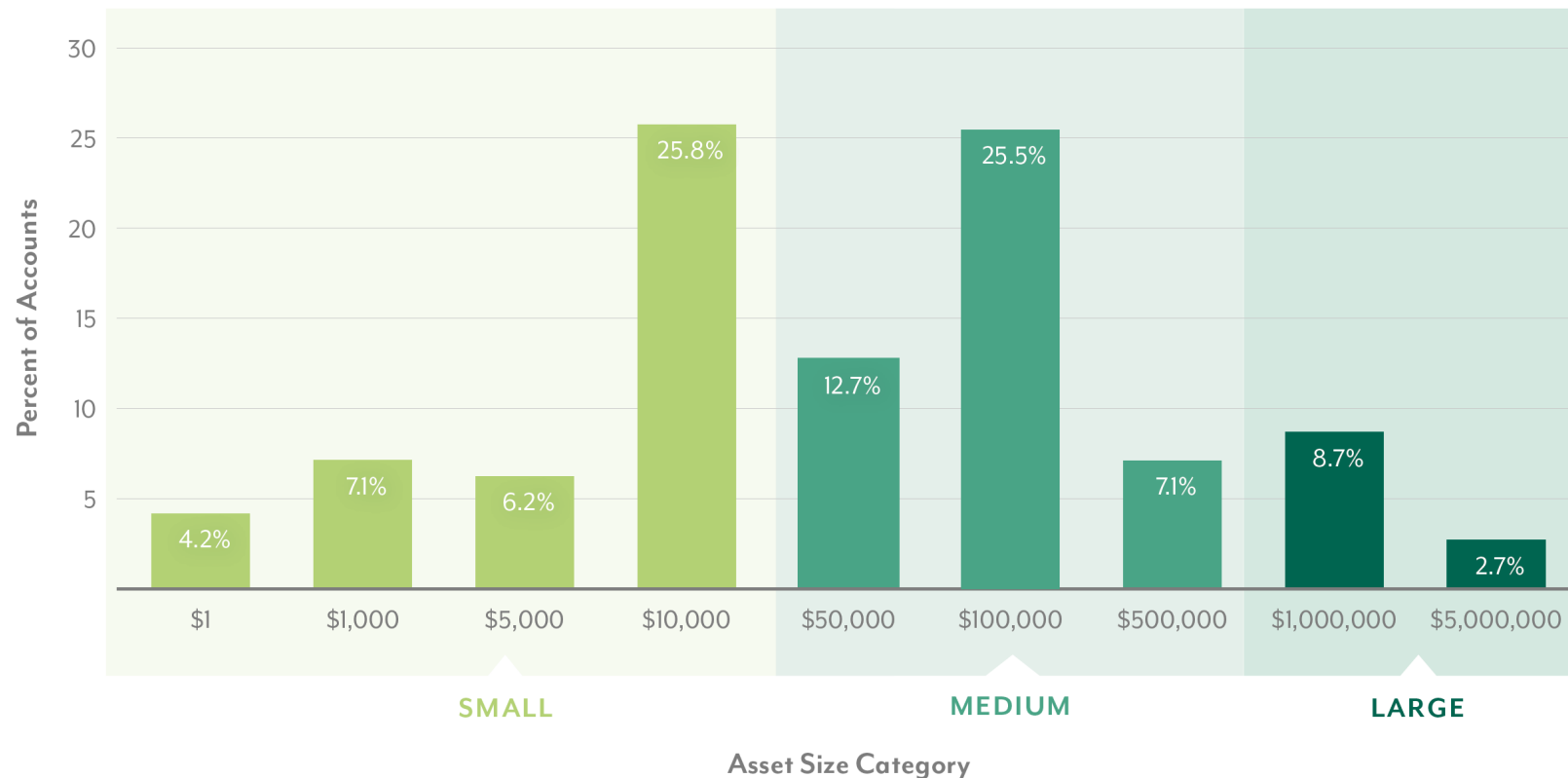


|                             | DAFRC Data | % of all CF and single-issue DAFs* |
|-----------------------------|------------|------------------------------------|
| <b>Accounts</b>             | 12,998     | 9.2%                               |
| <b>Donor Advisors</b>       | 21,840     | N/A                                |
| <b>Assets (\$ Millions)</b> | \$10,850   | 18.2%                              |
| <b>Contributions</b>        | 17,669     | N/A                                |
| <b>Contributions (\$M)</b>  | \$2,229    | 15.3%                              |
| <b>Grants</b>               | 121,031    | N/A                                |
| <b>Grants (\$ Millions)</b> | \$2,328    | 17.3%                              |

\* DAFRC dataset compared with National Philanthropic Trust (2021) statistics.

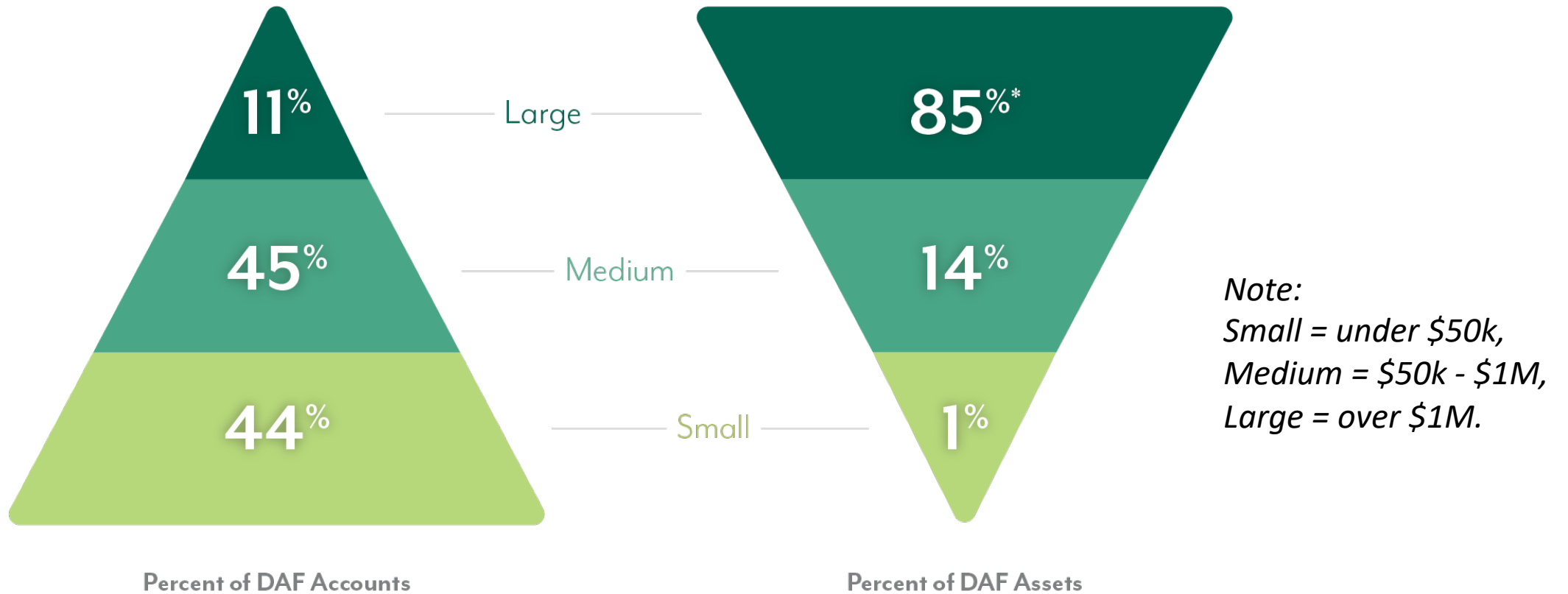
# Small and medium DAFs are more typical than large DAFs

While 11% of DAFs had over \$1 million in assets, the typical DAF is equally likely to be a small-sized DAF with assets under \$50,000 or a medium-sized DAF with assets between \$50,000 and \$1 million.





# Large accounts represented at least 85% of the assets



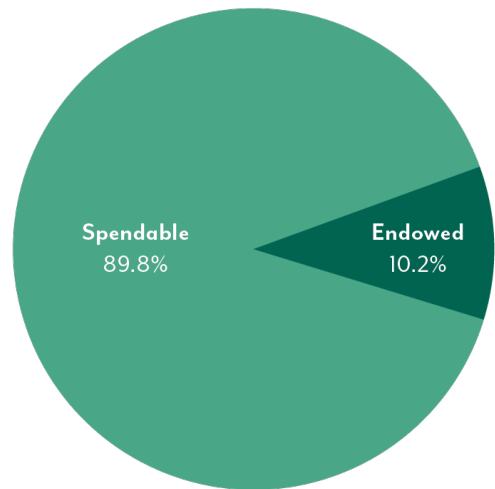
# DAFs support short-term or flow-through giving strategies

Most donors (57%) make annual or regular contributions into their DAF account.

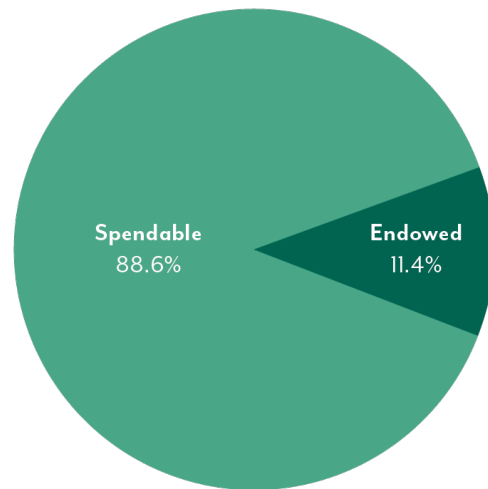
| <b>Contributor type</b>         | <b>Count</b>  | <b>Percent</b> |
|---------------------------------|---------------|----------------|
| No Contributions                | 3,544         | 32.0%          |
| Opening Only                    | 1,271         | 11.5%          |
| <b>Additional Contributions</b> | <b>4,218</b>  | <b>38.1%</b>   |
| <b>Yearly Contributions</b>     | <b>2,038</b>  | <b>18.4%</b>   |
| <b>Total</b>                    | <b>11,071</b> | <b>100%</b>    |

# DAFs also support long-term giving strategies

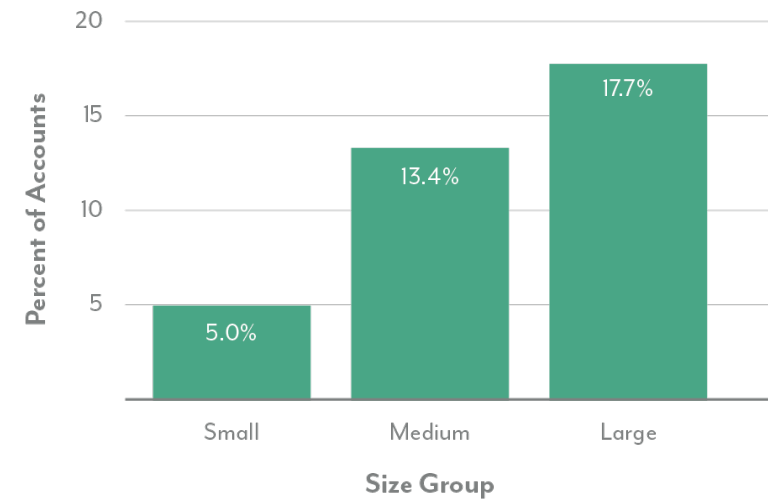
Approximately 10% of DAFs are formally endowed; among large DAFs (\$1M+), 18% are formally endowed. Other donors utilize an endowment-like strategy without a formal endowment designation.



Percent of Accounts

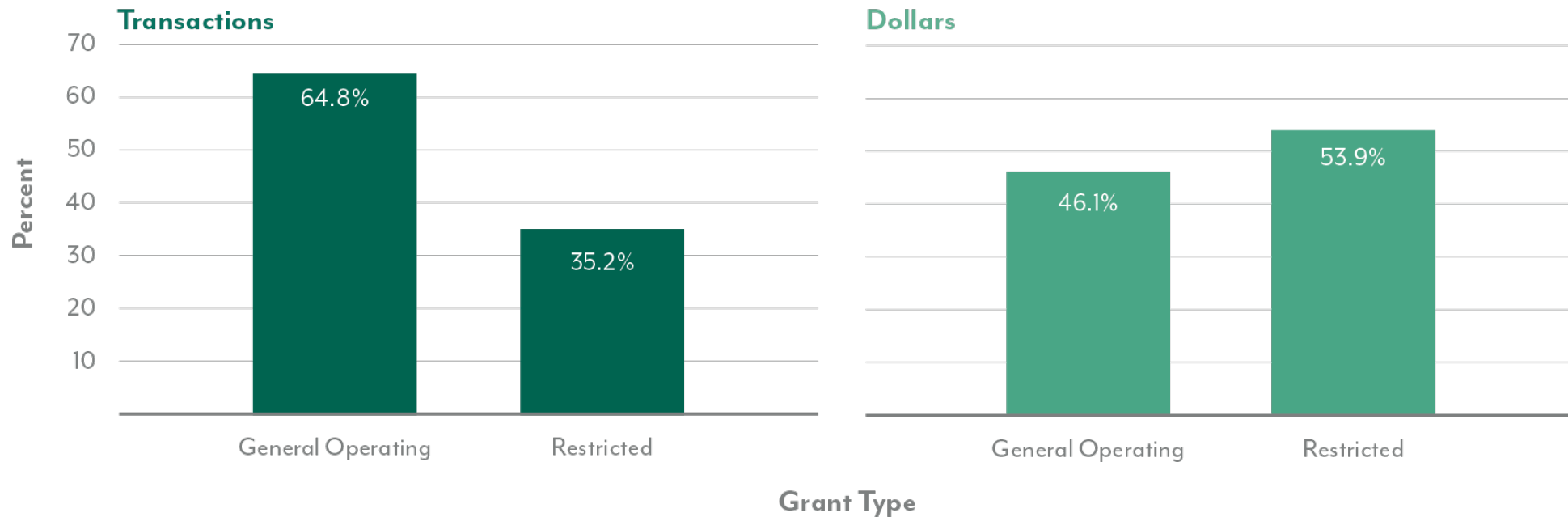


Percent of Assets



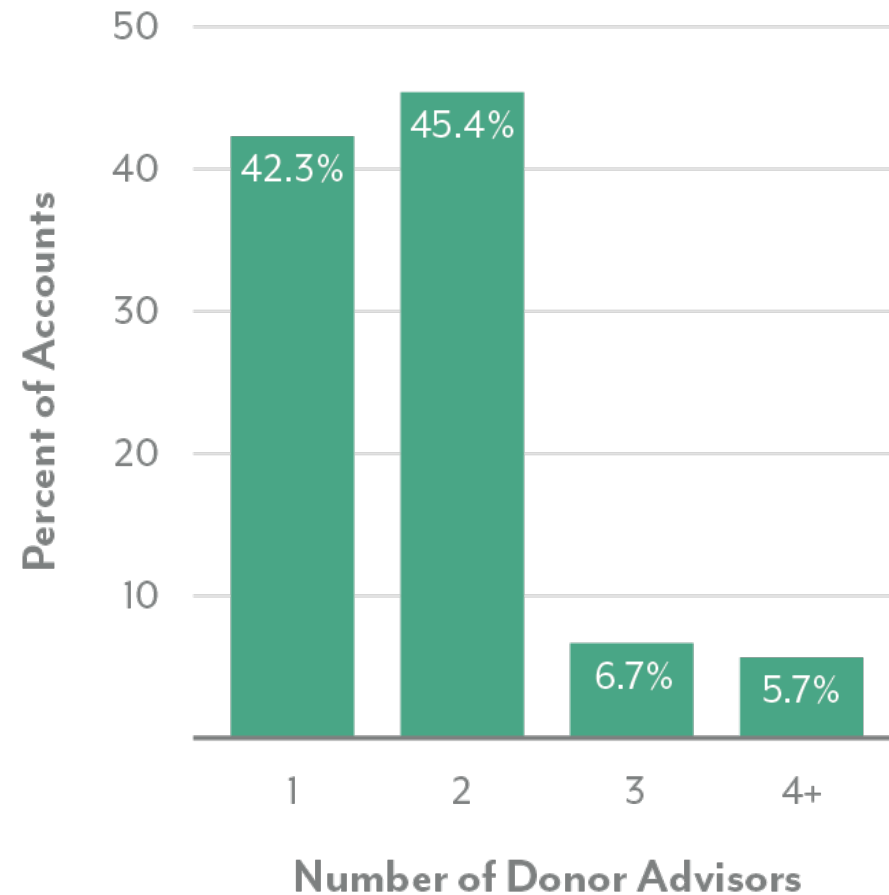
# Both restricted and unrestricted grants are possible using DAFs

Approximately 65% of the observed grant transactions and 46% of the observed grant dollars were unrestricted.



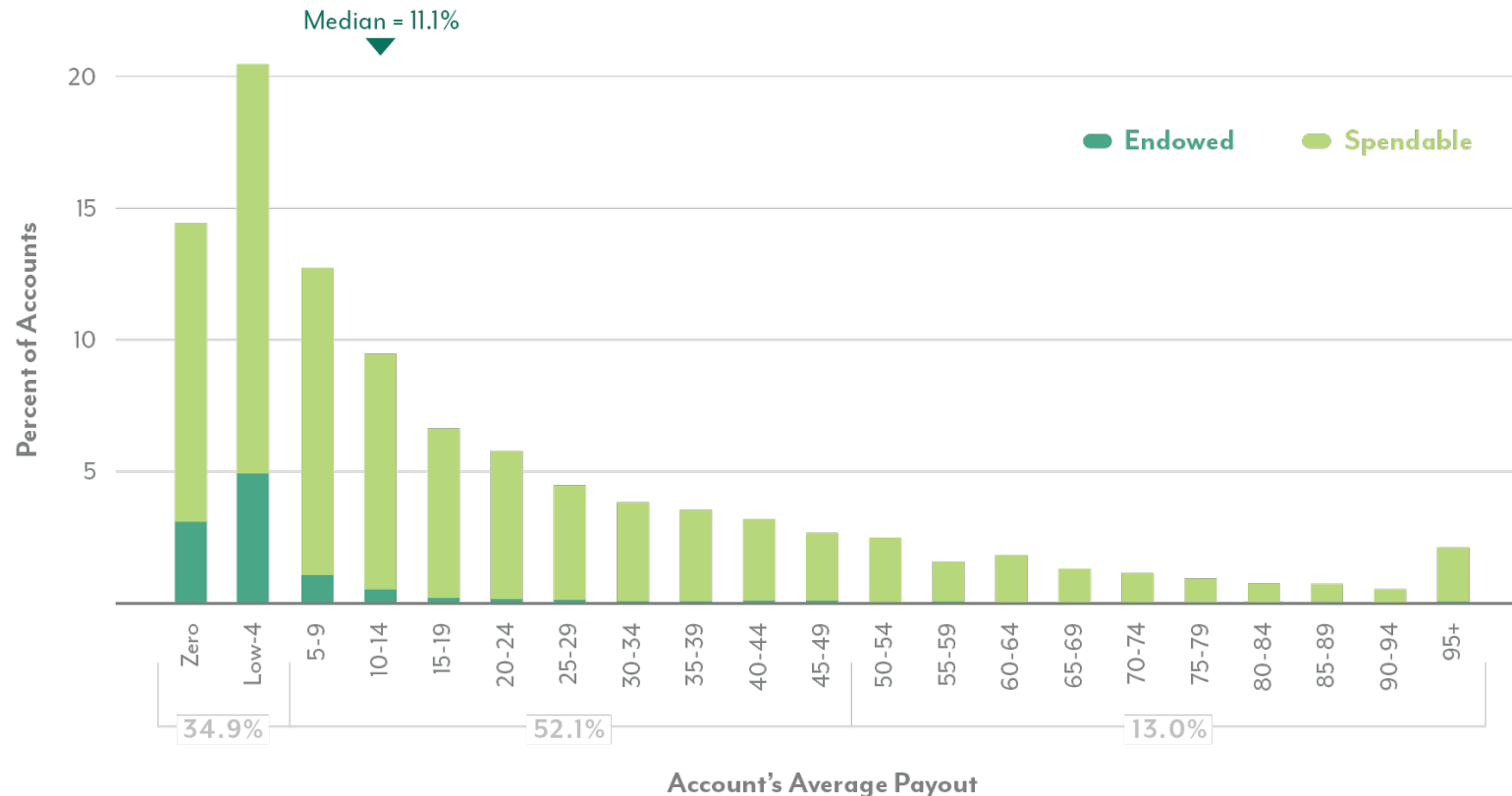
Both individual and family giving can be facilitated through DAFs.

Approximately 12% of accounts had 3 or more donors, which is an indicator of multi-generational philanthropic involvement.



# Most DAF accounts (52%) have four-year average payout rates between 5% and 49%

About one-third (35%) had a pay out less than 5%, and 13% of accounts have very high payout rates of 50% or more.



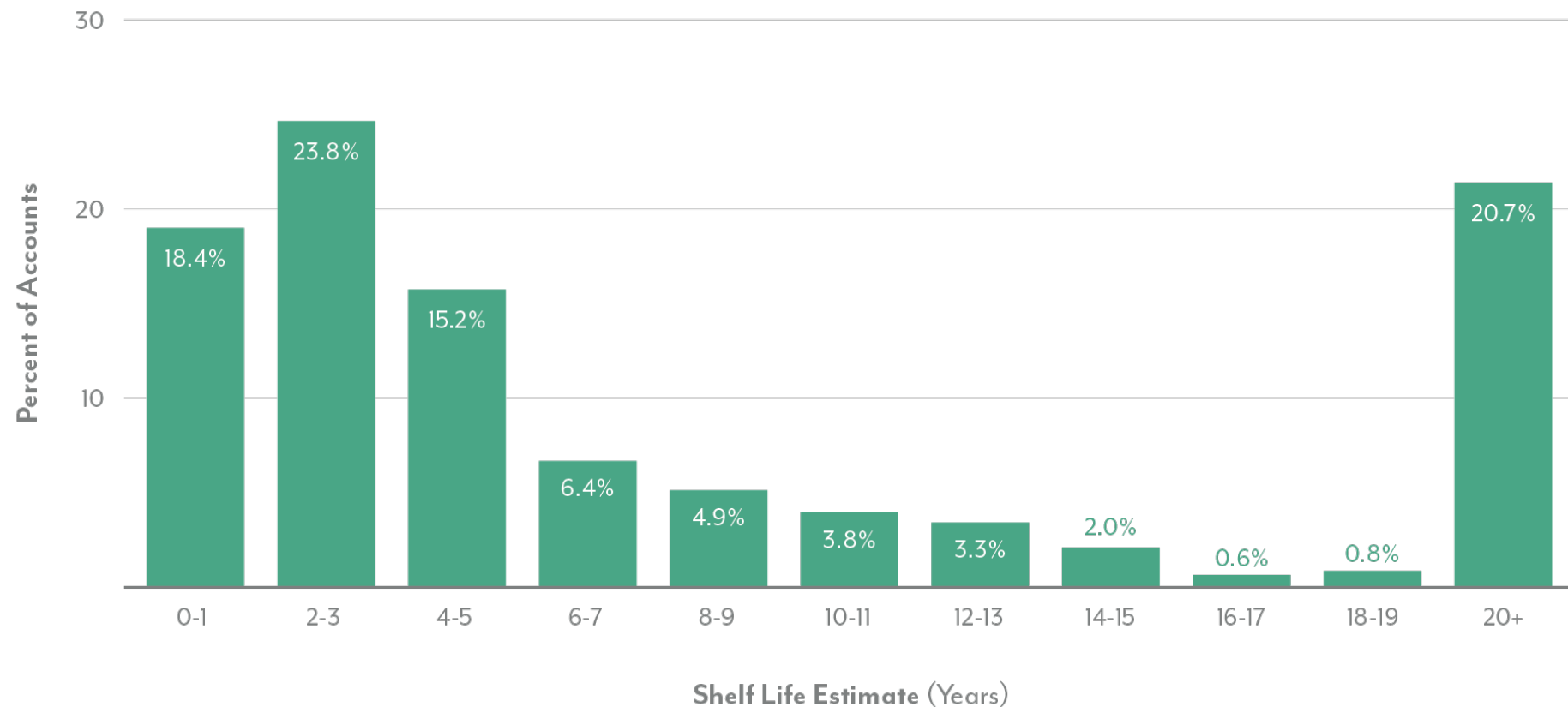
# Most new DAFs will spend all or most of the initial contribution within 3 years.

Most new DAFs (59%) do not grant out in their first year. After four years, approximately 42% had granted their entire opening contribution, and another 22% had granted at least half.



# 79% of DAFs opened in 2017 will grant all of their initial contribution within 15 years

Based on data from their first 4 years of DAF giving.

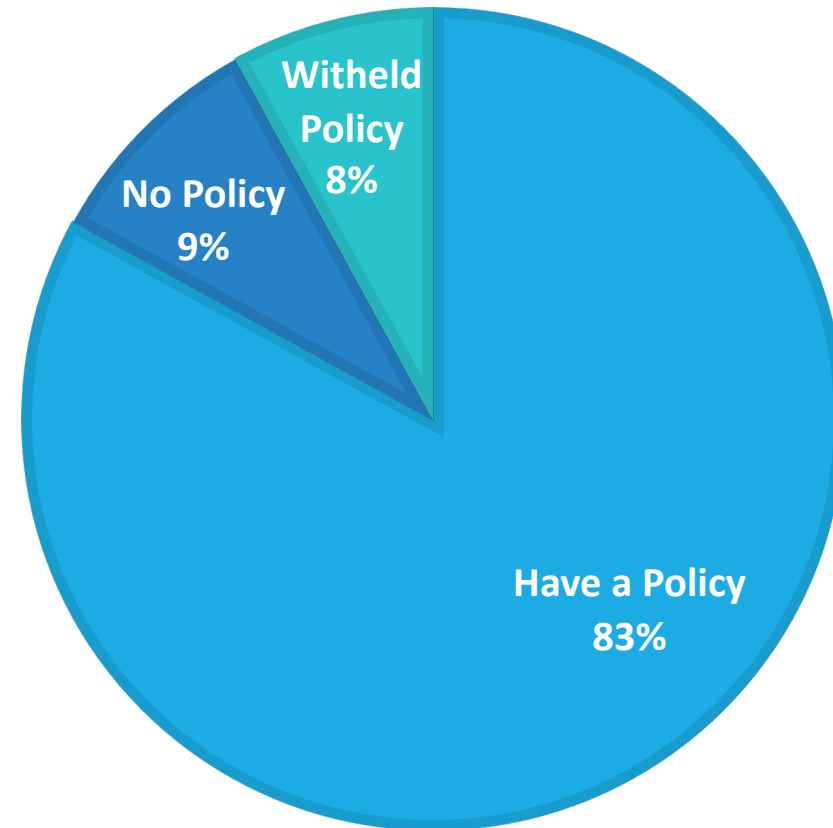




# Inactive Fund Policies

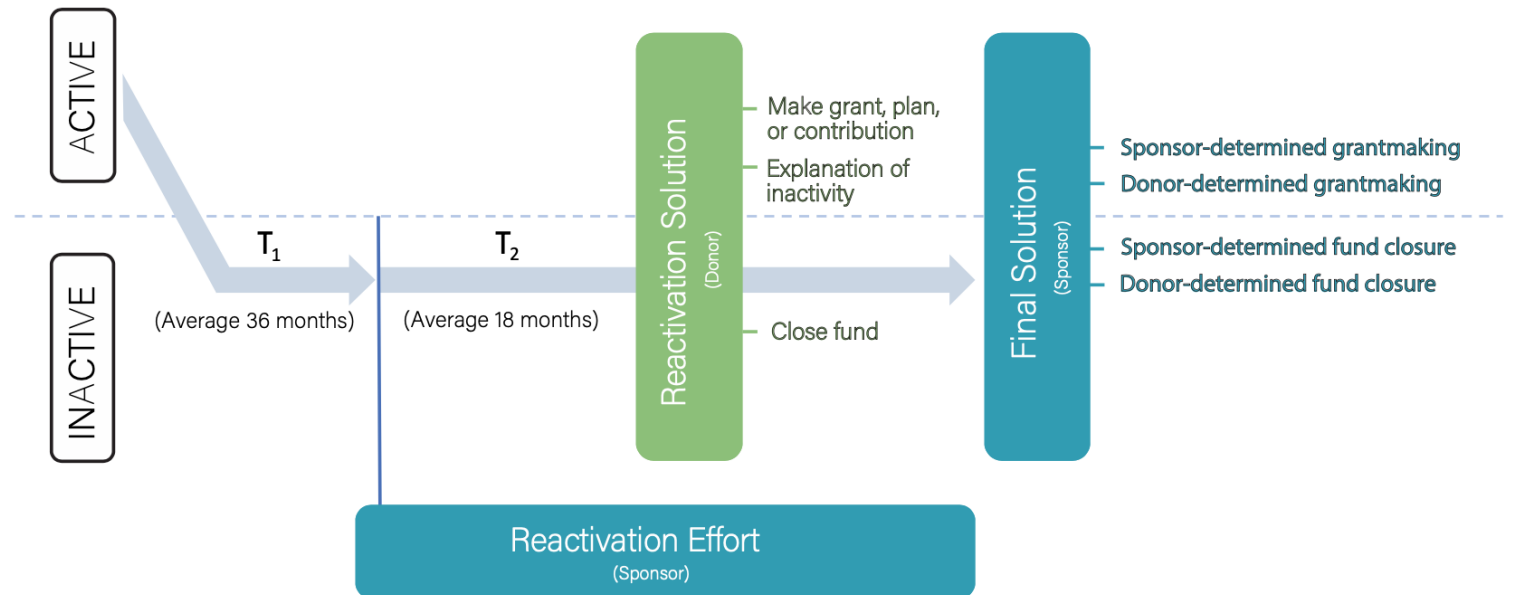
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Almost all DAF sponsoring organizations (83–91%) regulate inactive accounts through internal policies.



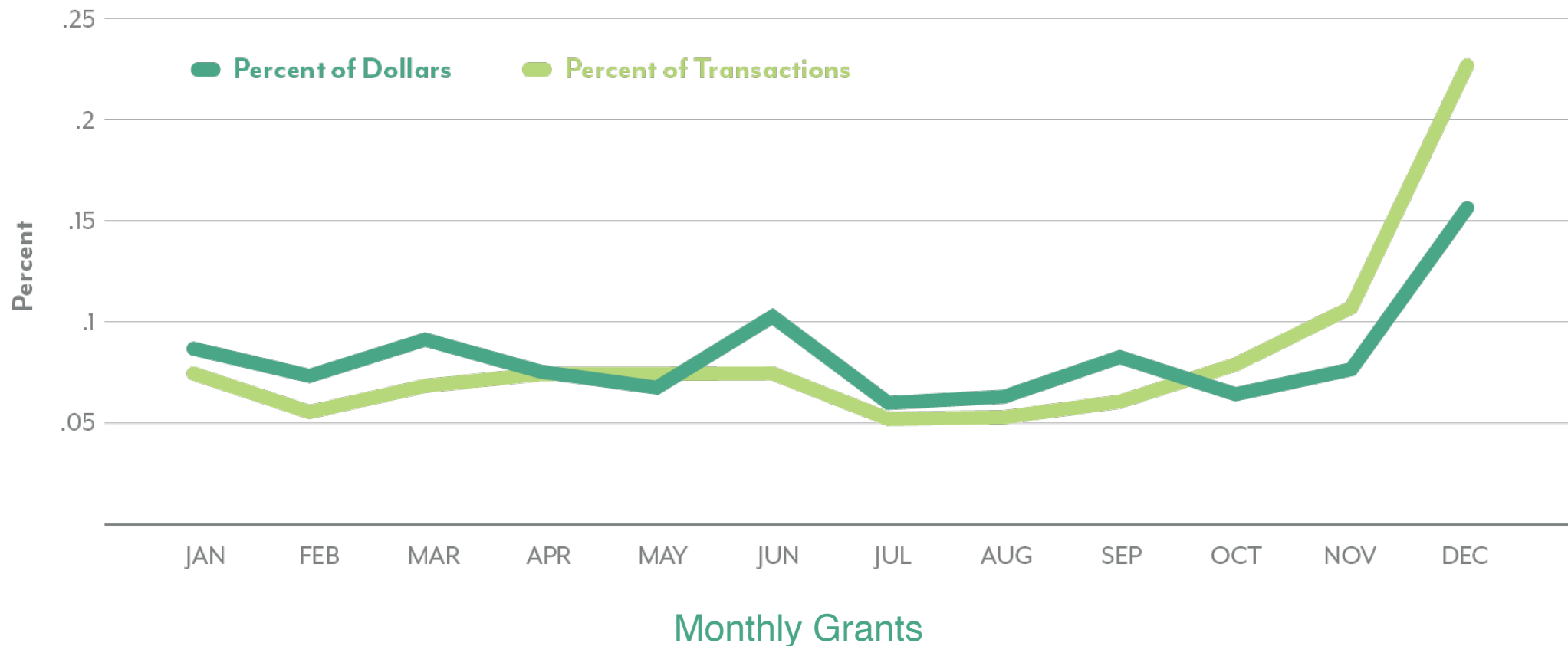
# Inactive Fund Policies

- $T_1$  On average, DAF sponsoring organizations intervene after **36 months** of no grantmaking.
- $T_2$  While trying to “reactivate” a DAF, sponsors allow an average of **18 months** for donors to respond before closing the account or assuming the grantmaking.



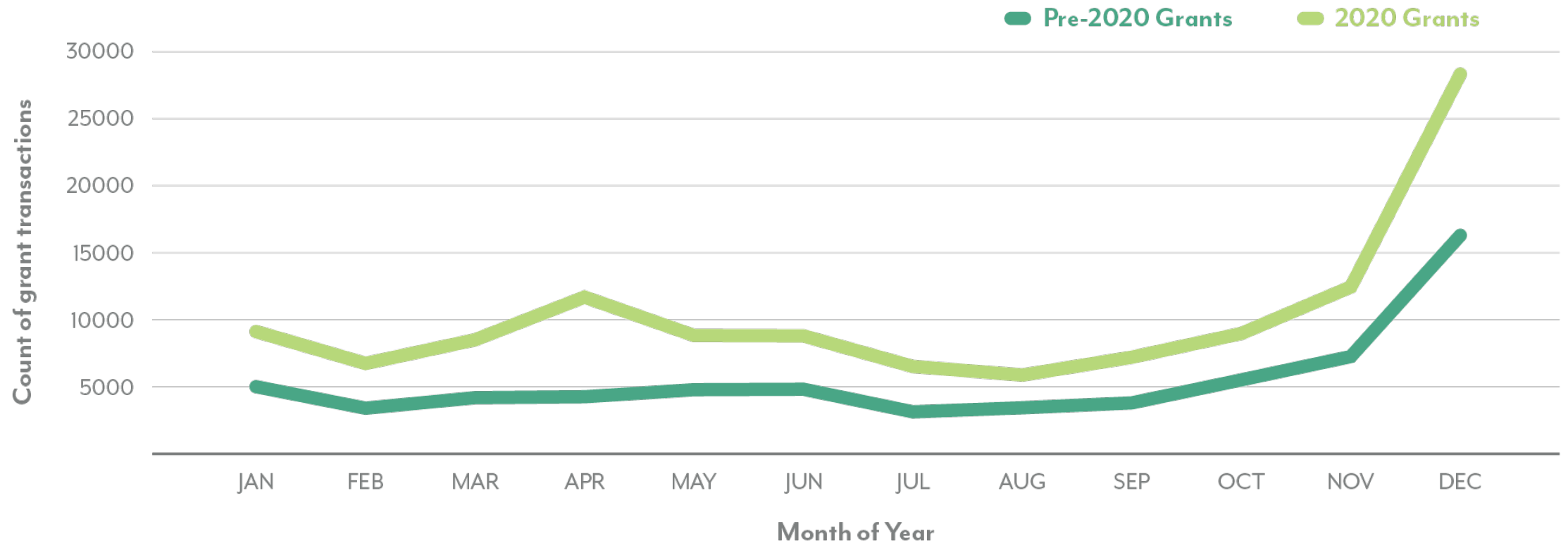
# Grants were more evenly distributed throughout the year

Only about 30% of grant dollars and 41% of grant transactions occurred in the last quarter.

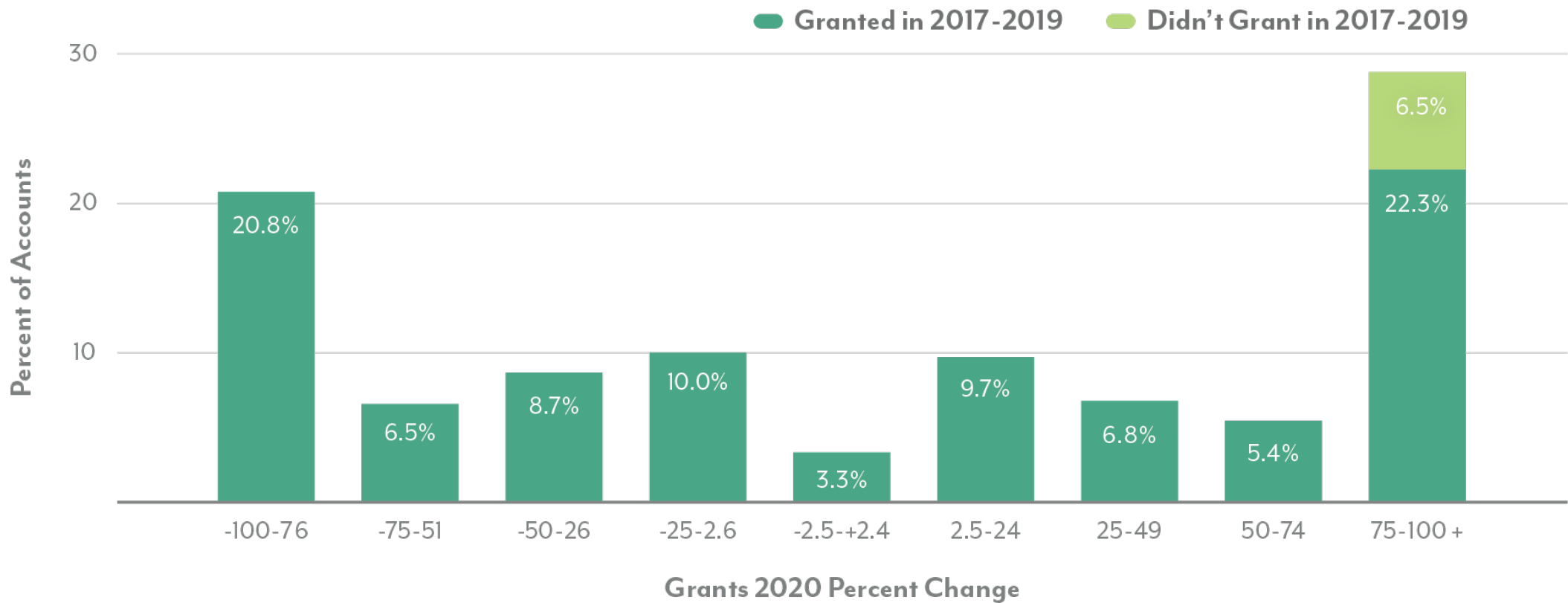


# Crisis donations did not crowd out year-end donations

In 2020, DAFs responded to the crisis by both increasing giving in April and also increasing year-end giving.



# Crisis elicited grants from inactive accounts



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# Tubs, Tanks, and Towers

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Tubs: 1-2 Years



Tanks: 2-10 Years



Towers 10+ Years



# Kayla – Tub Donor

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“We give away \$5 million a year. So we put the \$5 million in, we spend it down, we put the \$5 million in, we spend it down”





# Yael – Tank Donor

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“We don't have a donor-advised fund where the money just sits there, it pretty much gets spent within a year or two of putting it in there. Probably. Well, I should say three years of putting it in there. We sold the winery in the last, I guess almost two years ago. And when we did that, we put a bunch of money in the donor-advised fund, so we could mete it out over years, but we're just finishing that chunk of money.”



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# David – Tower Donor

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“I set myself up a budget of 5% a year, is my budget. So the fund has over 2 million dollars in it right now, so 5% a year is over a hundred thousand dollars. I try to just make that as my annual budget, because I want the fund to stay stable and even grow if possible, which it has been doing.”



|                                  | <b>Tub (1-2 years)</b>                | <b>Tank (2-10 years)</b>       | <b>Tower (10+ years)</b>       |
|----------------------------------|---------------------------------------|--------------------------------|--------------------------------|
| <b>Contributing Strategies</b>   | Annual                                | Wealth event                   | Wealth event                   |
| <b>Types of Contributions</b>    | Appreciated securities                | Securities, cash, and other    | Securities, cash, and other    |
| <b>Importance of Tax Savings</b> | No trend                              | Important/Very Important       | Important/Very Important       |
| <b>Grantmaking Strategies</b>    | <b>Mostly Annual</b>                  | <b>Annual, Major, Episodic</b> | <b>Annual, Major, Deferred</b> |
| <b>Family involvement</b>        | Sometimes                             | Often                          | Always                         |
| <b>Investment Interest</b>       | Not-interested to somewhat interested | Somewhat to very interested    | Somewhat to very interested    |
| <b>Investment Strategy</b>       | Short-term                            | Intermediate and social-impact | Long-term and social-impact    |

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# How Do I Find DAF Donors?

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## Gift Entry

- Track soft credit

## Ask current donors

- In conversation, by survey
- Track in your donor data base

## Major gift prospecting

- Same group of people

## Work with Community Foundations or Religious Sponsors

- If you align with the mission of the DAF sponsor
- Don't try to work with Nationals



NORTH CAROLINA  
COMMUNITY FOUNDATION





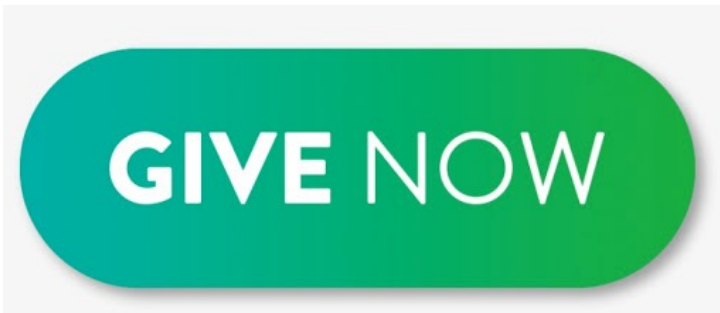


# DAF Friendly Online Presence

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- Ask for DAF gifts  
"To use your donor advised fund to make a gift..."
- List your EIN and Address
- Use a DAF giving widget
- Complete your profile with Candid



# Engaging DAF Donors

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## PROBE ABOUT DAFS



## ASK QUESTIONS

“How often do you give from your DAF?”

- What kinds of gifts do you make from your DAF?
- Do you give in other ways (e.g. checkbook, private foundation)

“When do you contribute into your DAF?”

- How did you first contribute into your DAF?

Who are the advisors on your DAF?

- Do you have successor advisors?

# Practice Time (5-10 minutes)

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What kind of DAF donor are you sitting next to?

# Soliciting DAF Donors

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## TYPE OF DAF DONOR

## SOLICITATION STRATEGY

Tub (Annual cycle)

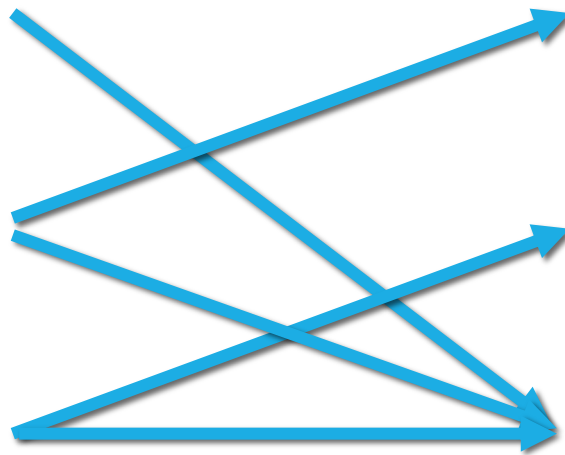
Major Gift Proposal

Tank (More slack)

Deferred or Planned Gift

Tower (Long-term)

Annual or recurring donation



# What About Restrictions?

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DAF grants cannot confer “a more than incidental benefit” to the donor. (26 U.S. Code § 4967(a)(1)).

<\$110 or 2% of gift is “incidental benefit”

Events, tickets, tables

- Can't split the non-deductible and pay the deductible with DAF

What about pledges? “Yes, with qualifications.”

- DAF Sponsor makes no reference to the pledge
- No benefit to donor



Source: National Philanthropic Trust  
<https://www.nptrust.org/philanthropic-resources/philanthropist/can-i-use-my-daf-for-that/>

# Stewarding DAF Donors

Thank the Donor, not the Sponsor

Acknowledge DAF donations as any other gift

- Not a tax-deductible donation
- Record soft-credit

Donor recognition

- Plaques, walls, annual report

Keep track of DAF use in database

**DAF Donor = Major Gift/Planned Gift Prospect**



# Thanking DAF Donors

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## Yvonne

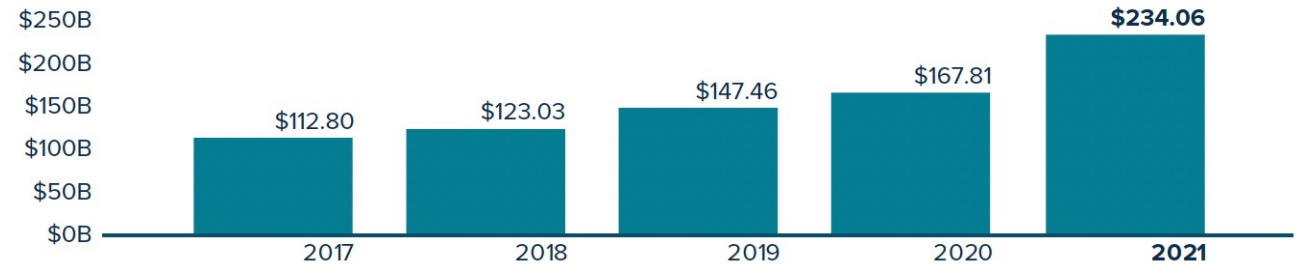
“I gave a \$25,000 donation in January out of the donor advised fund. I had documentation in my [DAF] account that it was transferred to [Charity], and that it was received. I never got a thank you note.

I contacted the development office and the person said, 'Oh. Well, our IRS consultants said we're not supposed to send out IRS letters. You know, thank you for this amount...' And I said, 'Yes. But that's beside the point. You're still supposed to acknowledge the donor, the amount into the fund. So I know... First of all, you have to thank me. And second of all, so I know it's been received and credited to the right account.'

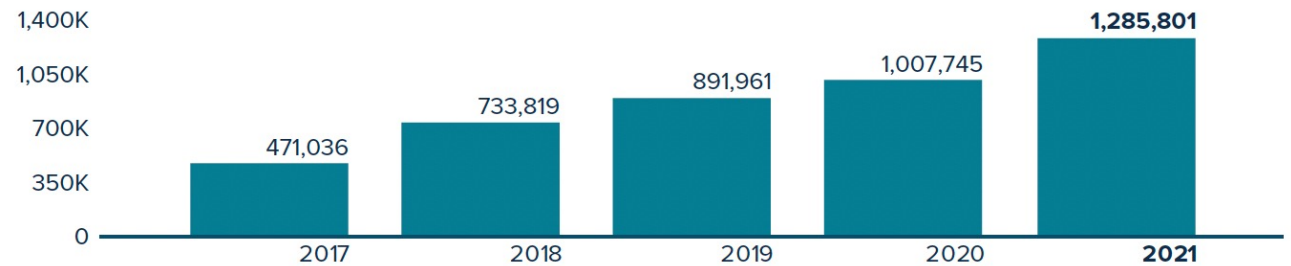
# Growth in Donor Advised Funds in 2021

- Assets increase by **39.5%**
- Number of Accounts increase by **28 %**

## Growth in DAF Assets



## Growth in DAF Accounts



Source: National Philanthropic Trust, *2022 Donor-Advised Fund Report*





Questions?

Discussion.



# Future Research on DAFs

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## National Study on DAFs

**Includes More DAFs:** National Sponsors, 80-100 Orgs, 100,000+ Accounts

**Management survey:** Operational resources, processes, and policy details

**Donor survey:** Relationship between giving strategy and observed patterns

## DAF Fundraising Study

*Interviewing professional fundraisers about how to work with DAF donors.*

Interested? Please email me: [dan\\_heist@byu.edu](mailto:dan_heist@byu.edu)

# Contact Information

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