

Give to charity in Philly area: Create a donor-advised fund at your community foundation

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FOUNDATION FOR DELAWARE COUNTY

To give to charity, Beth and Scott Albright, of Garnet Valley, set up a donor-advised fund through their local community foundation, the Foundation for Delaware County. (Credit: Foundation for Delaware County)



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Beth and Scott Albright wanted to give to charity, but preferred to give locally in Delaware County, where they live.

Then they heard about what's called a donor-advised fund, set up through their local community foundation, the Foundation for Delaware County. The Garnet Valley couple also wanted to involve their children in learning about charity, and the foundation's staff has helped the family do homework on two groups: [Kay's Kamp](#), for children with pediatric cancer, and [Five Fathers](#), which they learned about through a neighbor.

Both charities are nearby, and the Albrights can ensure their donation is put to work locally while also benefiting from the research, homework, and guidance of their local community foundation.

“We can give a check or we can piggyback anonymously with the foundation,” said Beth Albright, 51. “That’s one of the things we’ve learned about where our money goes to, and so we don’t lose control.”

“That’s the beauty of working with Foundation for Delaware County,” said her husband, Scott Albright, 53. “We wouldn’t get access to that info if we just did it with a big brokerage firm,” which also offer donor-advised funds. “We have a bigger impact in Delaware County. In addition, we want to have an impact where we live. The foundation helps us target that.” Their children, now 13 and 15, are also involved in choosing charities, “and they’re learning about philanthropy,” Scott added.

Middle-class donors are increasingly turning to donor-advised funds. [At Vanguard, new DAF accounts doubled](#) in 2017 to 3,200 from 1,600 the prior year, while donating more than \$873 million in 2017, up 28 percent from 2016. In 2017, donors contributed more than \$1.57 billion to their DAF accounts, compared with \$1.36 billion in 2016.

DAFs at community foundations

One twist on a donor-advised fund: Set one up through your local community foundation, which exists often at the county or state level. Minimums generally start at about \$25,000, and fees run about 1 percent annually to administer the money at the foundation, invest it, and distribute the grants, according to Beth Harper Briglia, vice president of philanthropy services at the Chester County Community Foundation. At that community foundation and others — such as the Philadelphia Foundation, the Montgomery County Community Foundation, the Foundation for Delaware County, the Berks County Community Foundation, and the Pittsburgh Foundation — you can set up donor-advised funds and other “field of interest” funds.

“We offer the same tax benefits as Vanguard, Fidelity, Schwab, and the National Philanthropic Trust, and we offer a lot of advice about grant-making. In the case of local community foundations like ours, the advice is very local,” said Frances Sheehan, president of the Foundation for Delaware County.

The new tax laws kept the charitable deduction for those of you who itemize, according to Sensenig Capital Advisors. But the law limited or eliminated several other itemized deductions. And that has created a new incentive to consider batching or “bundling” deductible expenses, so those count toward reducing your taxes. For example, Sensenig wrote in a report to clients, “if you usually donate \$2,500 annually to charity, you could instead donate \$25,000 once each decade. Combined with other deductibles, you might then be able to take a nice tax write-off that year, which may generate (or be generated by) other tax-planning possibilities.”

Among the [many benefits of DAFs](#), said tax expert James McGrory at Drucker & Scaccetti: You can contribute appreciated long-term securities and get a fair-market value deduction, and not have to report the gain. You receive one charitable acknowledgement letter, rather than many, for your accountant. There is no requirement to distribute the funds in the DAF, unlike a private foundation, which must distribute 5 percent of net assets every year. Any investment income earned in the DAF is not taxable to you, because the DAF itself is a 501(c)(3) charity.

There is no federal tax return or other state charity filings required, again, unlike a private foundation; the group to which you want the DAF to contribute must be a 501(c)(3) charity, and that you can’t receive any personal benefit — fund-raiser meals, tickets to shows, thank you gifts, for instance — in exchange for the contribution, McGrory added.



FACEBOOK

Bianca Roberson, killed during a 2017 road-rage occurrence in Chester County. Her mother set up a donor-advised fund benefiting her children at the Chester County Community Foundation.

DAF questions to ask

Another reason a donor-advised fund is handy: You can donate appreciated stocks in kind (without selling first), while your charity can accept only cash or liquid donations. The American Endowment Foundation offers the [2015 "Donor Advised Fund Summary for Donors,"](#) that spells out additional reasons a DAF may appeal.

Donor-advised funds are ideal for those who have fluctuating income, or who can't maintain a steady level of giving. They're also ideal for those concerned about the cost and complexity of a private foundation.

On the spectrum of charitable giving, they're easy and affordable to establish, while still offering some benefits of a [planned giving vehicle](#). "They fall somewhere between simply writing a check, versus taking on the time, costs, and complexities of a charitable remainder trust, charitable lead trust, or private foundation," Sensenig wrote in its report.

Minimums: DAFs may have different minimums for opening an account. For example, an outfit such as [Triskeles.org](#) requires as little as \$5,000 to set up.

Fees: Expect administration fees. Make sure they're fair and transparent, and don't eat up all the benefits of the charity.

Acceptable assets: Most DAFs will let you donate cash as well as stock. Some may also accept other types of assets, such as real estate, private equity, or insurance, or even art and cryptocurrencies such as bitcoin.

Grant-giving policies: Some grant-giving policies are more flexible than others. For example, single-entity organizations may require that a percentage of your grants go to their cause, or only to local causes.

Investment policies: DAF assets are typically invested in the stock market, so they grow tax-free over time. But some investments are far more advisable. How much say will you have on investment selections? If you're already working with a wealth adviser, can you choose a DAF that lets your adviser manage these account assets? Higher donation minimums may apply.