



By the power at work within us
God can accomplish abundantly more than
all we can ask for or imagine. – Ephesians 3:20



Donor Advised Funds

A **Donor Advised Fund** is a fund that is set up by a donor who reserves the right to direct how the capital is invested and how the revenue generated by the fund is distributed. This type of giving agreement is made between a donor and a sponsoring organization (such as a community/charitable foundation, charity or financial institution). These organizations have the capacity to set up and administer this form of giving.

Donor-advised funds are on the increase both in Canada and around the world as a way for donors to give to the charitable causes, like their church, that they care about and value deeply, while retaining control over the charitable impact they want their donations to have.

How donor-advised funds are set up varies depending on the sponsoring organization. Traditionally, according to *The Philanthropist* online publication (<http://thephilanthropist.ca/?s=donor+advised+funds>), a DAF allows donors to choose at what rate the money held in a donor-advised account can be spent and who the advisor or advisors on an account should be. For example, donors can choose to spend only the revenue generated by the donated capital or any combination of both revenue and capital. They can decide not to spend anything at all for a period of time (to grow the fund) or to spend everything all at once and then collapse the fund. Donors can also reassign their advisory duties to another party (person, board, committee, etc.). Donors can also transfer their advisory capacity to someone else upon death. Moreover, especially for the DAFs that are of the commercial variety, donors are very often active partners with the organization in relation to how the funds are invested (balanced, money-market, equities only, social responsible mixes, etc. Donors will also determine the level of risk that they are comfortable in assuming for the fund.

Sample of How DAFs Work

Typically, you, as the donor, make an irrevocable contribution to a DAF. Many sponsoring organizations require a minimum contribution (such as \$10,000 but often higher) and most have policies stipulating the types of contributions they will accept. Often the level of contribution can also determine the level of involvement by the donor that will be permitted by the sponsoring organization.

As the donor, you will receive an immediate charitable income tax credit for the contribution made to the fund. The assets that were contributed to the DAF are usually kept in a segregated account; they are professionally managed and grow tax free.

As the donor, you can recommend grants from the account to those charities that qualify based on the guidelines that have been established by the fund. However, the sponsoring organization retains the right to reject the donor's recommendation concerning the timing of a distribution. As the donor, you can recommend the kind of grants you would like to make at the time of the initial contribution to the fund (such as a focus on your church or ministry with children, etc.).

The Presbyterian Church in Canada

50 Wynford Drive, Toronto, ON M3C 1J7 • Phone: 1-800-619-7301 or 416-441-1111
Email: sharing@presbyterian.ca • presbyterian.ca/sharing



Benefits of DAFs

- **Control** - DAFs offer customized control. You will have the ability to support specific projects, charities and programs through timed disbursements and professional asset management. Often, these features motivate charitably minded individuals to seek out this type of giving arrangement.
- **Immediate Tax Benefit** - Because a DAF benefits a public charity-(ies), the donor can claim an immediate tax credit for the contribution made to the fund, despite the fact that the DAF may not make a distribution to a particular charity or charities for some time.
- **Flexibility** -While your gift is irrevocable, you don't have to name charitable beneficiaries at the time of your contribution to the fund. As the donor, you can wait to choose one or more charitable beneficiaries to receive grants from the DAF. But you need to know that many sponsoring organizations have rules concerning distributions and will always retain the right to reject any donor's suggestion.
- **Administrative Relief** -If you decide that you wish to hold onto your funds with the intention of making donations later to the church or other charities you care about, you, as the donor, are responsible for the burdens of maintaining and growing the assets on your own. This also means you are responsible for everything from recordkeeping for tax purposes to monitoring investment performance. By contributing funds to a DAF, you are relieved of these burdens.
- **Investment Control** – With some commercially sponsored Funds, you can use your own financial advisor to manage the Fund's investment.

Please Note: The Presbyterian Church in Canada does not have the ability to set up donor advised funds – only endowment funds. However, for those faithful Presbyterians who do have this type of giving account, the PCC can be a recipient of grants directing funds to any of its missions and ministries across the church.

Please Seek Professional Advice: The Presbyterian Church in Canada strongly recommends that you seek professional advice to ensure your financial situation and those of your dependents are considered; that your tax situation is reviewed; and that your gift is tailored to your circumstances. For further information, please contact: Jim MacDonald, Development Manager, 416-441-1111 or 1-800-619-7301 ext. 257; or email plannedgiving@presbyterian.ca

The Presbyterian Church in Canada
Stewardship &Planned Giving
50 Wynford Drive, Toronto, ON M3C 1J7
plannedgiving@presbyterian.ca • www.presbyterian.ca

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