

FAQ: What is a Donor Advised Fund and How Can It Be Used?

What is a Donor Advised Fund (DAF)?

A Donor Advised Fund (DAF) is a charitable giving vehicle that allows donors to make contributions, receive an immediate tax deduction, and recommend grants to charitable organizations over time. It serves as a flexible and efficient way for individuals to manage their charitable donations.

How does a Donor Advised Fund work?

1. **Establishing the Fund:** Donors open a DAF account through a sponsoring organization (like a community foundation or a financial institution) by making an initial contribution.
2. **Contributions:** Donors can contribute various assets to the fund, including cash, stocks, or other investments.
3. **Tax Benefits:** When donors contribute to a DAF, they receive a tax deduction for the full amount of their donation in the year it is made.
4. **Investment Growth:** The funds in the DAF can be invested, allowing for potential growth over time.
5. **Grant Recommendations:** Donors can recommend grants to qualified charitable organizations whenever they choose, either immediately or over a period of time.

What are the benefits of using a Donor Advised Fund?

- **Immediate Tax Deductions:** Donors can claim a tax deduction in the year they contribute, even if they distribute funds to charities later.
- **Flexible Giving:** Donors can contribute to the fund in one year and decide on grant distributions at a later time, allowing for thoughtful giving.
- **Investment Options:** Funds can be invested for growth, potentially increasing the amount available for charitable giving.
- **Simplicity and Convenience:** DAFs simplify the process of managing charitable donations, allowing donors to consolidate their giving into one account.
- **Anonymity:** Donors can choose to remain anonymous when making grants, protecting their privacy.

Who can contribute to a Donor Advised Fund?

Generally, any individual or entity (such as corporations or family foundations) can establish and contribute to a DAF. However, the specific policies may vary depending on the sponsoring organization.

Are there any limitations on how funds can be used?

Yes, DAFs must be used for charitable purposes only. Funds cannot be used for personal benefit, including direct payments to individuals or to satisfy a pre-existing pledge. Additionally, the donor cannot receive any goods or services in return for contributions.

Can I choose which charities to support through my DAF?

Yes! One of the primary features of a DAF is that donors have the freedom to recommend grants to a wide range of qualified charities, including public charities and certain private operating foundations.

For More information about the Bon Secours Mercy Health Foundation, visit www.givebsmh.org

For more information about the Bon Secours Mercy Health Foundation DAF program, contact DAF@bsmhealth.org

How do I recommend a grant from my Donor Advised Fund?

Once your DAF is established, you can submit a grant recommendation through the sponsoring organization's online platform or by contacting their staff. Recommendations typically include the name of the charity, the amount of the grant, and any notes you wish to include.

Is there a minimum contribution or grant amount?

Minimum contribution and grant amounts can vary by sponsoring organization. It's important to check the specific requirements of the organization managing your DAF.

Can I involve my family in my DAF?

Yes! Many families use DAFs to promote charitable giving as a family value. Donors can include family members in decision-making regarding contributions and grants, fostering a shared commitment to philanthropy.

What is a donor advised fund "sponsor"?

A donor advised fund sponsor is an organization that manages donor advised funds (DAFs) on behalf of individual donors. These sponsors are typically established charities, such as community foundations, national charities, or financial institutions that offer philanthropic services.

What is the Authority of a Donor Advised Fund Sponsor

1. **Fund Management:** The sponsor is responsible for holding and managing the assets contributed to the DAF. This includes overseeing investment options and ensuring compliance with regulations.
2. **Grant Approval:** While donors can recommend grants to specific charities, the sponsor has the final authority to approve or deny these requests. This is to ensure that grants align with IRS regulations and the charitable mission of the sponsor.
3. **Administrative Oversight:** The sponsor handles all administrative tasks related to the DAF, including record-keeping, reporting, and tax documentation for donors.
4. **Advisory Role:** Sponsors often provide resources, guidance, and educational materials to help donors make informed decisions about their giving.
5. **Compliance:** The sponsor ensures that the fund operates within the legal and regulatory framework governing charitable donations, maintaining compliance with IRS guidelines.

Where can I get more information about Donor Advised Funds?

For more detailed information, consult financial advisors, tax professionals, or the websites of organizations that offer DAFs. Many organizations also provide educational resources to help donors understand the benefits and responsibilities associated with DAFs.