Ten Tips to Help Your Clients Get Started on Their DAFs

A giving strategy is needed for donor-advised funds.

Ken Nopar | Jan 31, 2017

The end of 2016 was unprecedented in the world of charitable giving. It's always the busiest time of year for charitable contributions, but the election and anticipation of future tax policy changes—along with a significant increase in the value of various assets—resulted in many advisors strongly encouraging clients to create donor-advised funds (DAFs) and to accelerate some of their anticipated future donations into these and already-existing accounts. This trend has continued in the new year.

Schwab Charitable just reported that the amounts their donors granted in the fourth quarter of 2016 increased by 75 percent over Q4 a year earlier. The number of DAF accounts created at American Endowment Foundation (AEF) increased by nearly 25 percent in 2016 with one firm opening 40 at AEF during one week in December.

Nearly all donors who create DAFs have charitable intent. However, some individuals who created DAFs near the end of the year did so at that time because their advisors told them of the likelihood of receiving greater tax benefits by creating an account sooner rather than later.

As a result, some clients now have an account but don't necessarily have a giving strategy or know where to start. I've contacted some of the leading philanthropic advisory firms in the country to get their sound advice on getting started. Here's what they told me:.

10 Tips

1. **Why and how.** Clients should "begin by discovering WHY they give, reflective of their own unique life journeys, values, and motivations for giving," and "to determine HOW to best identify giving opportunities and desired impact," says Colleen D. Mitchell of VENTURE3Philanthropy LLC.

2. **Personal values**. “What often begins as a tax-driven decision can become a rewarding and meaningful philanthropic experience when it is guided by their personal values and interests. It helps when they take the time to ask themselves what they believe will make the world a better place, says Carolyn O’Brien of MissionBridge Philanthropy.
3. **A little planning**. “When it comes to getting the most out of their DAF, a little planning makes a BIG difference. Knowing their charitable vision and mission keeps them focused and able to navigate the endless opportunities to contribute,” according to Kia Sullivan of SourcePoint Philanthropy.
4. **Next-step ways.** “Being strategic about giving through their DAF doesn't require a complex plan. In fact, complexity often gets in the way of impact. Instead, look for “next step” ways to build on gifts they've already made or find other donors or partners who can leverage their charitable investments,” says Kris Putnam-Walkerly of Putnam Consulting Group.
5. **Engage rising generations.** “Just like a foundation, a donor-advised fund is a powerful tool to engage the rising generations in their family in defining values, developing a Mission Statement and working together to achieve common philanthropic goals. Through grantmaking and impact investing, all of their philanthropically-committed capital can help achieve those goals,” according to Bruce DeBoskey of The Deboskey Group.
6. **Communication**. “As families begin to consider, incorporate and engage the succeeding generations in their philanthropic process, there’s an increasing need for several key things: clarity of purpose, creating opportunities to give individually and collectively and building effective communication and collaboration across the family,” says Rebecca Trobe of Impact Coaching & Consulting, LLC.
7. **Social impact.** “If clients are looking for a cause to support, they should reflect on what gives them joy or makes them angry. If looking for charities, they should research them like an investment. Effective charities can maximize the client’s gift by creating social impact within the community,” according to Catherine Chapman of Fullanthropy.
8. **Intent of gift.** “The first question the client needs to answer is what will be the intent of the gift. Will this be a one-time or multi-year gift? For a specific initiative or for general operating funds? The best gift to an organization is one accompanied by thoughtful and clear directives and expectations,” says Susan Winer of Strategic Philanthropy, Ltd.
9. **Look back over past year.** Mark Neithercut from Neithercut Philanthropic Advisors, LLC would advise clients to envision looking back in a year and ask, “what happened during that period that would make them pleased with their philanthropic activity and grant-making from their donor-advised fund account?
10. **Articulate values**. “When thinking about giving, clients should articulate their values. When they give in alignment with their values, they can lead happier, healthier lives and allow the recipients of their giving to do so as well,” says Deborah Goldstein of Enlightened Philanthropy. "Engage in conversations."

Hopefully financial advisors, accountants and estate planning attorneys engaged in the charitable planning conversation with their clients before they recommended charitable solutions, but if not, it isn’t too late. Advisors can help their clients feel a significant amount of pride and satisfaction in knowing that their charitable gifts and involvement are having an impact. Philanthropic advisory firms can be brought in to help clients should they need additional help. This discussion benefits not just the clients, but also the advisors and their firms because it can deepen relationships and attract new clients and assets.

Starting the Process

If wealth advisors, CPAs or attorneys are unsure how to start, here are a few topics they should discuss with clients that can enable them to begin to help the clients think through the process:

1. Who is or will be involved in the charitable giving decisions?
2. What’s their timeframe for giving? During lifetime, at death, after death or for how many years or generations after death?
3. Which assets can or should be donated? Are there any illiquid assets that the client doesn’t need or intends to sell?

4. How much additional does the client want to donate and at what point?
5. How should these charitable assets be invested, and does the client want the advisor to manage these investments?
6. Does the client have a good idea of which causes and charities he wants to support?

Because so many DAFs were established quickly at the end of the year, it's important to evaluate whether the fund sponsor selected is most appropriate for both clients and advisors. Fortunately, many DAFs can be transferred, so advisors should verify that the DAF sponsor selected will allow clients to make grants where they want, when they want and if desired, that their advisor can manage those assets.

Initiating the charitable conversation with clients who've recently opened or funded DAF accounts; established one awhile ago or intend to do so soon; have other charitable vehicles or donate directly to charities is beneficial to the clients, advisors and society. While this is always timely, perhaps never before has it been more relevant.

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