

Donor Advised Funds



Indiana Philanthropy Alliance urges Congress to support proposals that expand the IRA charitable rollover to donor advised funds.

Background

In December 2015, the IRA charitable rollover was made permanent by Congress and signed into law by President Obama as part of the Protecting Americans from Tax Hikes (PATH) Act. In the PATH Act, community foundations are eligible to be the recipients of IRA rollover contributions, but DAFs held by community foundations are excluded. Removing this prohibition would increase philanthropy in Indiana.

Donor advised funds are powerful tools—both for people who want to provide smaller gifts to make lasting commitments to their communities, as well as those with significant financial resources who are looking for an alternative to a private foundation. Community foundations, in particular, enable people to “give where they live” through such tools, and employ subject-matter experts with in depth community knowledge to manage DAFs.

DAFs Help Community Philanthropy Endure

DAFs help increase the impact of charitable giving and build access to long-term philanthropic resources. DAFs ensure funds are available during hard times, much like a community savings account. During the Great Recession, DAFs allowed community foundations to sustain and even increase charitable giving at a time when individual giving and endowments plummeted and communities were in need.

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DAFs Encourage Lasting Civic Engagement.

More than 70% of foundations report the average age of a DAF donor is between 46 and 64 years-old. This signals that DAFs are an important entry point for planned, strategic giving and long-term community involvement. For example, 81% of foundations report donors serve on foundation boards, or in another leadership role; 68% of foundations report donors help address pressing community needs; and 42% of foundations report donors help anticipate emerging community needs.

DAFs Build Stronger Communities.

DAFs are flexible, allowing community foundations to quickly respond to local needs. DAFs have been used to support everything from emergency response efforts to community economic development. Each community foundation utilizing DAFs has a story to share about connecting donors to the causes they care about using donor advised funds.

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Sources

Forum of Regional Associations of Grantmakers