

DAFs vs. Private Foundations



May be appropriate for clients:

- Who are comfortable with complexity
- Desire full control

	Donor Advised Funds	Private Foundations
Start-Up Time	Immediate	Can take several weeks or months
Start-Up Costs	None	Legal (and other) fees are typically substantial
Ongoing Administrative and Management Fees	Varies with provider but less than 2%	Can be in the range of 250-400 basis points (2.5% to 4% per year)
Tax deduction limits for gifts of cash	60% of adjusted gross income	30% of adjusted gross income
Tax deduction limits for gifts of stock or real property	30% of adjusted gross income	20% of adjusted gross income
Valuation of gifts	Fair market value	Fair market value for publicly-traded stock, cost basis for all other gifts, including gifts of closely-held stock or real property
Required Grant Distribution	None	Must expend 5% of net asset value annually, regardless of how much the assets earn
Excise tax on investment income	None	Excise tax on 1.39% of net investment income annually
Privacy	Names of individual donors can be kept confidential if desired, and grants can be made anonymously.	Must file detailed and public tax returns on grants, investment fees, trustee names, staff salaries, etc.
Administrative Responsibilities	Recommend grants to favorite charitable causes	Manage assets, keep records, select charities, administer grants, file state and federal tax returns, maintain board minutes, etc.

Source: <https://www.nptrust.org/donor-advised-funds/daf-vs-foundation/>