CHARITABLE GIVING

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Talking About Donor Advised Funds

Is it just me, or is there a conversation about DAFs (Donor Advised Funds) everywhere you turn?

With billions of charitable dollars sitting unused in these accounts, the outrage many fundraisers feel makes sense. What "rainy day" are these donors saving for when we're facing rising fascism, a climate crisis, and wealth inequality?

I feel those frustrations – and as a Planned Giving professional, I also see the complexities around DAFs. My true thoughts and opinions can't be expressed in one simple LinkedIn comment, so I'm laying it all out here:

1 – DAFs are here to stay.

Even if you hate them, if you don't incorporate DAFs into your fundraising strategy, you'll be left behind.

Refusing to talk about DAFs with your donors won't make them go away - you'll only lose transformational gifts for your nonprofit.

It's not either-or. We can stay true to our values while fundraising from DAFs.

2 – The rise in DAFs is a result of the private sector out-fundraising us.

This one might get the most backlash, but it needs to be said. And I think it's happening for two reasons:

One - Advisors who set up DAFs are in an advantageous position compared to fundraisers at charities. They know the full-picture of their clients' finances and their clients deeply trust them. Advisors are primed to have conversations with donors' about their "best gift". Fundraisers can get there, but it takes a lot more work and time.

Two – The nonprofit sector has been missing the mark when it comes to fundraising. We've been lamenting about high turnover of fundraisers and low donor retention rates since the 90s - and haven't made much progress. With interruptions to donor relationships, ineffective stewardship, and general hesitancy from leadership to change, the rise in DAFs is a natural consequence of missing opportunities for deeper donor relationships and major gifts for decades.

Which brings me to my next point…

3 - DAFs encourage greater giving.

There's ~$5.7 billion in DAFs in Canada and ~$251 billion in the USA. Without DAFs, would 100% of those funds be given directly to charity? I don't think so.

Don't get me wrong - I would prefer that every charity have a great fundraising program that encourages donors to give their best gifts directly to them.

Some organizations do this and fundraise well, but not the majority - and I'd rather advisors encourage giving to a DAF than have it not happen at all.

On the bright side, DAFs simplify major giving for charities with small fundraising teams. Compare asking a donor for a large gift from money they've already "given away" to bringing the donor's advisor into your meetings for complex discussions about how they can give from their assets. The latter is extremely difficult for smaller organizations with limited resources. Often, those gifts of assets have already been made to the DAF, so the cash is ready to get to your charity hassle-free.

We also have stats to prove DAFs increase giving. Once a donor sets up a DAF, they will typically double their annual gifts to their favourite causes.

4 – Not all DAFs are created equal.

If you read the above and are thinking "but Tess! It's not like the money is actually moving from the DAF to the charity. Payout rates are low." It's true, and I agree.

DAFs encourage advisors to talk about charitable giving when they wouldn't otherwise, because most of them get paid on fees from their clients' portfolios. If their clients give a large portion of that portfolio away to charity - poof! The fees disappear.

This brings up the insidious part of DAFs – advisors and banks get fees on investments in these accounts, so they're not financially motivated to help their clients give money away.

A colleague recently spoke with a

donor who had a DAF at one of the big banks. She said "my advisor told me to open a DAF, so I did. It's been sitting there for years, and I don't know how to make a donation from it."

(For fundraisers who have negative feelings about DAFs, you can think of your DAF strategy as a way to pry charitable dollars out of the big banks' hands.)

However, not every advisor is out to maximize their profits at all costs. A number of advisors are committed to helping their clients give back with their DAFs. Some even join membership organizations like the Canadian Association of Gift Planners (CAGP) to continuously learn about how they can encourage charitable giving.

And there are a wide variety of DAFs. For example, Digital DAFs are on the rise, and they prioritize the donor's experience – allowing them to easily give money away from their phone. In Canada, GiveWise has a "give it all away" button in their online DAF portal.

Community Foundations also provide DAFs (typically with lower investment fees) and encourage donors to join affinity groups to discuss their giving. They can also use DAFs to bridge gaps between philanthropists and small local nonprofits, introducing donors to organizations aligned with their interests they might not have otherwise known about.

It's also worth mentioning that only a small portion of these DAF gifts are truly anonymous – with the right strategy, you can steward and build relationships with your DAF donors. In fact, most of them will be in your database already!

5 – DAFs are the best giving tool for some donors.

Even if you dislike DAFs, you need to understand when it's an ideal giving tool for a donor. And typically, that's when a donor has a large influx of cash – whether through the sale of a business or property, inheritance, or large bonus.

They're inspired to give back with this windfall – both for tax planning and for doing good. However, giving away this amount of money on short notice - in a way that's strategic and aligned with their values - can be overwhelming for donors. Especially if this is the first time they've encountered real wealth. They need time to plan, or they may want to support small charities in their community who would have trouble spending $500,000 right away. Instead, a steady $5,000 - $10,000 per year for many years could be a better option. In my mind, this is who the DAF is made for.

The world of DAFs can be complex, but it's important for charity leaders to understand them - they are likely the future of giving in Canada.

Tess Conrad is a seasoned fundraising professional with over 10 years of experience and has held her CFRE (Certified Fund Raising Executive) since 2021. She also holds a Certificate in Fundraising Management from BCIT, and a BFA in Theatre Performance from SFU. While she has delved into many streams of fundraising – from major gifts to grants – her passion is Planned Giving. It's the type of fundraising she believes drives the most meaningful relationships between nonprofits and their supporters. She's the Founder & Principal Consultant of Full Potential Fundraising, where she specializes in helping mid-sized charities create & grow their Planned Giving programs.