

## 3 benefits of donor-advised fund giving

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Charitable giving through donor-advised funds (DAFs) has grown in popularity in recent years. Generally, creating a DAF requires no more than completing a short application and making an initial contribution as low as \$10,000 to a sponsoring organization, such as a community foundation. You recommend which charities should receive gifts, and the sponsoring organization takes care of the record keeping and legal work necessary to create and manage the DAF. The assets you contribute are removed from your taxable estate.

DAFs provide several advantages, particularly for high-income individuals. For example, they can help you:

1. **Separate tax planning from charitable planning.** When you make a contribution to a DAF, you receive an immediate tax deduction up to 50% of your adjusted gross income (“AGI”) for gifts of cash and up to 30% of your AGI for gifts of appreciated assets (with a 5-year carryforward on gifts that exceed the limits). You can make contributions even before you’ve decided which charity you’d like to ultimately receive the funds or when that gift will be made.
2. **Make larger gifts.** When you contribute appreciated stock to a DAF, you receive a charitable deduction equal to its full fair market value (subject to the 30% AGI limit noted above) while avoiding the capital gains tax as long as you’ve held the stock for at least one year before the contribution. You can effectively make more generous charitable gifts than if you sold the stock and then donated the after-tax proceeds.
3. **Pursue growth opportunities.** DAFs typically offer a variety of investment options. Accordingly, contributions have the potential to grow while you determine how best to earmark the funds.

Contributing to a DAF could help you achieve both charitable giving and tax and estate planning goals — all in one fell swoop. However, as with any financial strategy, making gifts using a DAF comes with potential drawbacks. Please contact us for further guidance.

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