

TIFIN Give

Choosing the Right Charitable Vehicle:

Comparison of Donor Advised Funds and Private Foundations

Private Foundations can be extremely useful for charitable giving, but are often costly and time-consuming to administer and maintain. This typically limits their use to high or ultra high net worth donors, and even then can be too administratively burdensome to justify their costs.

Increasingly, donors are opting to use Donor Advised Funds to make their charitable gifts. Donor Advised Funds are a more accessible alternative to foundations, with simplified administration and greater flexibility.

To learn more about Donor Advised Funds, download [**“Five Things to Know About DAFs.”**](#)

As you explore which option is right for your charitable and financial goals, below are some considerations about the key differences between the two charitable vehicles:

Consideration	Donor Advised Fund	Private Foundation
Tax Deduction as Percent of AGI	Cash: 60% Appreciated assets: 30%	Cash: 30% Appreciated assets: 20%
Excise Tax	None	1.39%, typically
Start Up Costs	None, donors can create an account without minimums or startup fees	Expensive, most advisors recommend \$10mm minimum to start a private foundation
Requirements to Operate	Simple, accounts can be opened within days	Complex, foundations can take weeks or months to open
Administrative Responsibilities	None besides making periodic grant recommendations	Board meetings, hire staff, maintain records, oversee foundation activities including tax and other filings
Grant Oversight	Grants are recommended by donor for approval by the DAF sponsor, though sponsors approve nearly all	Grants are assured, not recommended
Annual Minimum Distribution	None	5% of assets
Anonymity	Donor has discretion to grant anonymously	Grant activity is a matter of public record
Grant Recipients	501(c)(3) organizations only	Can be individuals; Grant-making decisions fully controlled by foundation

This document highlights the specific tax advantages of DAFs. If setting up a DAF is the right direction for your philanthropic journey, talk to your financial advisor today.

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