The Chronicle of Philanthropy   May 19, 2013

Donor-Advised Funds Keep Up Rapid Growth

The funds are now worth more than a third more than they were before the recession started

By Sarah Frostenson

Donor-advised funds continue to surge past nonprofits and foundations in accumulating charitable assets: They are now worth almost one third more than they were before the recession started in 2007, says a new *Chronicle* survey of 134 funds.

The strong growth, which comes in large part because donations to the funds grew 46 percent last year, is in stark contrast to nonprofits, which attracted just 7 percent more in contributions, according to *The Chronicle*'s ranking of the 400 charities that raise the most. The asset surge is also far bigger than at foundations, whose wealth grew by 4 percent according to the newspaper's latest study.

While contributions to the funds were flowing in and the stock market was helping bump up assets, donors did not keep to that pace in the amount they disbursed from their funds. Donors increased their giving from the funds last year by just 7 percent.

So far this year, donor-advised funds have received $7.8-billion in gifts and awarded more than $3.4-billion in grants, which marks a 41-percent increase in contributions over the same quarter a year ago and an 18 percent increase in grants.

Surging in Popularity

Donor-advised funds allow people to establish a charitable account with cash, stock, or other assets in exchange for an immediate tax deduction. Whenever donors want to, they can recommend which charities receive grants from the funds.

The funds have become so popular that Fidelity Charitable, created in 1991, now holds slightly more in assets than the Robert Wood Johnson Foundation, the nation's third-largest grant maker.

In 2012, donors contributed $3.6-billion to Fidelity and awarded $1.6-billion in grants. In the first quarter of 2013, donations have grown by 14 percent over the first quarter of 2012.

Speed Up Giving

The run-up in donations has prompted some experts to suggest that Congress require people who create donor-advised funds to give the money away at a faster pace.

"Donor-advised funds are truly fantastic for donors because they provide the maximum tax benefits that you can get," says Ray D. Madoff, a professor at Boston College Law School who studies estate issues.

"But the problem is you're diverting resources away from on-the-ground operating charities into these holding pens that have no payout requirement," says Ms. Madoff.

While private foundations are required by federal law to distribute at least 5 percent of their assets to charity every year, donor-advised funds face no such requirement.

Ms. Madoff says Congress could encourage greater giving by requiring everyone to spend all the money in a donor-advised fund within 10 years of putting the funds into an account. Any money still there after that time, she says, should go to a charity the donor chose when he or she created the fund.

Organizations that offer donor-advised funds say they don't think such rules are needed because many people are already distributing donations.

For instance, Fidelity Charitable says 47 percent of its donors have made gifts from their funds in each of the past seven years, while 70 percent have awarded money in at least five of the past seven years.

Spontaneous Donations

Fidelity and others that run the funds are making efforts they hope will stimulate more giving.

Sarah Libbey, president of Fidelity Charitable, said donors consistently asked for timely ways to donate in the wake of a disaster.

Fidelity responded by creating a list of charitable organizations it had vetted and by streamlining its grant-making site to make it easier for donors to respond soon after a disaster.

When Hurricane Sandy devastated parts of the East Coast last year, donors at Fidelity contributed more than $26-million through 4,900 individual grants, some of which were disbursed within two days of the disaster. And after the Boston Marathon bombings, donors at Fidelity awarded a total of $1.1-million, some of it the day after the fund was established to help the victims.

"We have realized over the years, even though this is a giving vehicle that can be used for planning strategic giving, it can also be there for what is very spontaneous giving," said Ms. Libbey. "It's a ready reserve that donors can access."

Family Efforts

Many donor-advised funds are getting benefits from helping donors make giving a family affair.

The Jewish Communal Fund, which celebrated its 40th anniversary in 2012, says its donors want to use the funds to allow children and grandchildren and other relatives to give away money.

"People involved with significant philanthropy are doing wealth planning and charitable planning several generations out," said Ellen Israelson, vice president for marketing and donor relations.

Ms. Israelson says she realized the potential of reaching out to families when she saw "how many of the original funds, even if the fund originator was no longer alive, had passed to the next generation. We realized in some cases we had four generations of families still with us using the same fund."

To encourage more families to get involved, the Jewish Communal Fund now offers the NextGen Giving Fund geared toward donors ages 18 to 30.

By giving at least $1,800, donors can establish a fund and then make grants of at least $36. The figures are symbolic: The Hebrew word *chai*, which means "life," is also the word for the No. 18, so a lot of Jews like to use multiples of 18 as a way to show how essential giving is.

But it was also deliberately set to be a low amount to appeal to young people.

"We didn't want the minimum amount to open a fund to create barriers for people who were looking for the convenience of online giving," said Ms. Israelson. "So if people aged 30 and under need that low-balance fund, we can offer that to them."

The NextGen fund option has proven especially popular for children nearing the bat mitzvah and bar mitzvah age of 13.

The group now manages 230 NextGen funds for people under 18 and says that many more young donors are listed as advisers to funds managed by their family members.

Modest Sums

The Jewish Communal Fund's approach is one of several efforts to reach out to people who want to give small sums.

The Greater Kansas City Community Foundation, for instance, is one of six groups that told *The Chronicle* it does not have any set minimum amount to open a donor-advised fund.

"We believe that donor-advised funds can democratize philanthropy. Every family can be a philanthropist," says Deborah Wilkerson, president of the Kansas City foundation.

"We don't have a minimum fund size or grant size requirement, and our minimum annual administrative fee is just $250, or $21 a month, which means a family of modest wealth with some extra to give can have a donor-advised fund available to them."

The Kansas City community fund currently manages roughly 400 funds with balances under $10,000 and 300 with balances under $5,000.

Involving Retail

Meanwhile, Renaissance Charitable Foundation, which supports 11 donor-advised programs, is helping a new effort channel small sums to the funds.

In June it started working with PlanG, a company that runs myplang.com, an online site that seeks encourage people to give. [**Editor's note**: The previous two paragraphs have been revised to show that PlanG encourages charitable giving in multiple ways, not just shopping, and that it asked Renaissance to offer a donor-advised program for its clients.]

PlanG has persuaded over 250 retail brands to donate a percentage of consumers' purchases to a donor-advised fund. Donors can also make gifts beyond the amount they buy online.

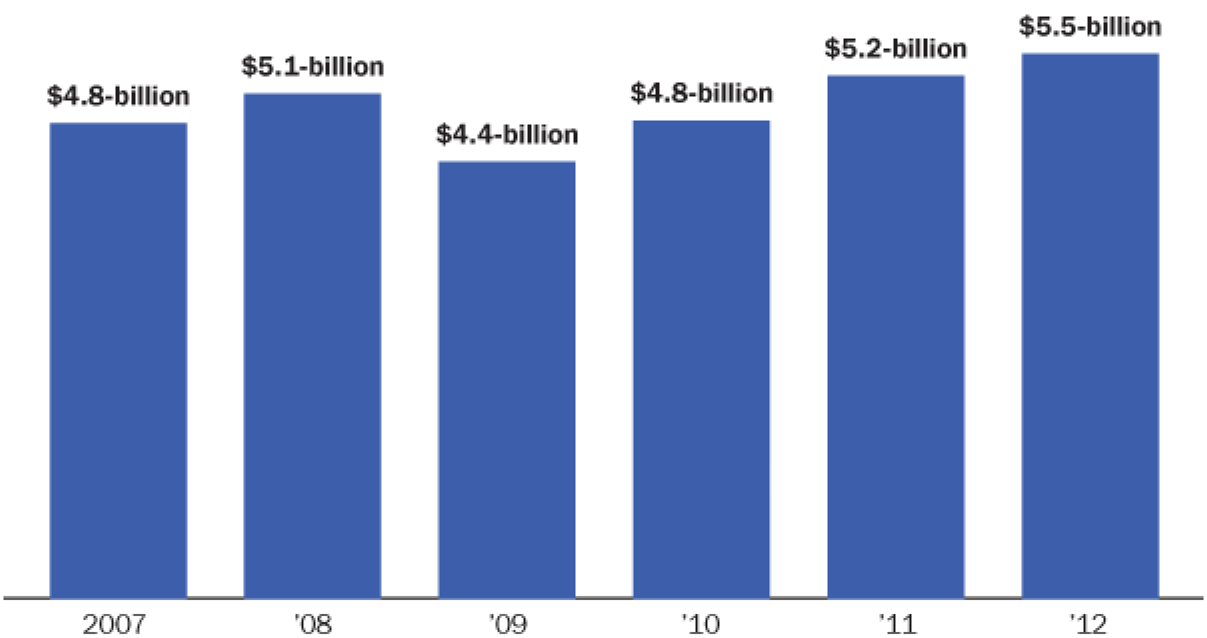
Marti Beller, PlanG's leader, says the average grant size awarded by fund holders is $75, and consumers typically don't leave the money in the account for longer than two months.

That might be in part because PlanG makes it clear that donors can't leave their money in the fund for more than 18 months. If they do, PlanG sends the money to a charity picked by the retail organization that awarded the consumer the money to give way.

"As money comes in from an outside retailer, it's got to make it outside," said Ms. Beller.

Emma Carew Grovum and Marisa López-Rivera contributed to this report.

A Rebound in Grants From Donor-Advised Funds



Note: Based on data for 60 organizations. These figures have been adjusted for inflation.