

Welcome, friends

Before we start:

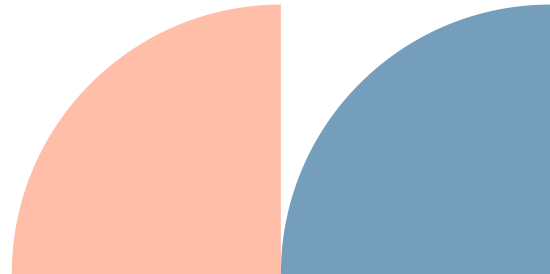
Use “**chat to all panelists & attendees**”

to introduce yourself, and **1 thing**
bringing you joy this week



WEBINAR

Donor-Advised Funds: A deep dive on philanthropy's hottest trend



Agenda

1. Intros
2. The rise of Donor-Advised Funds
3. 7 steps to secure more DAF gifts
4. Advanced strategies for success with DAFs

Recording & slides will be shared after the session



Introductions



Intros

Co-CEOs: Jenny Xia Spradling & **Patrick Schmitt**



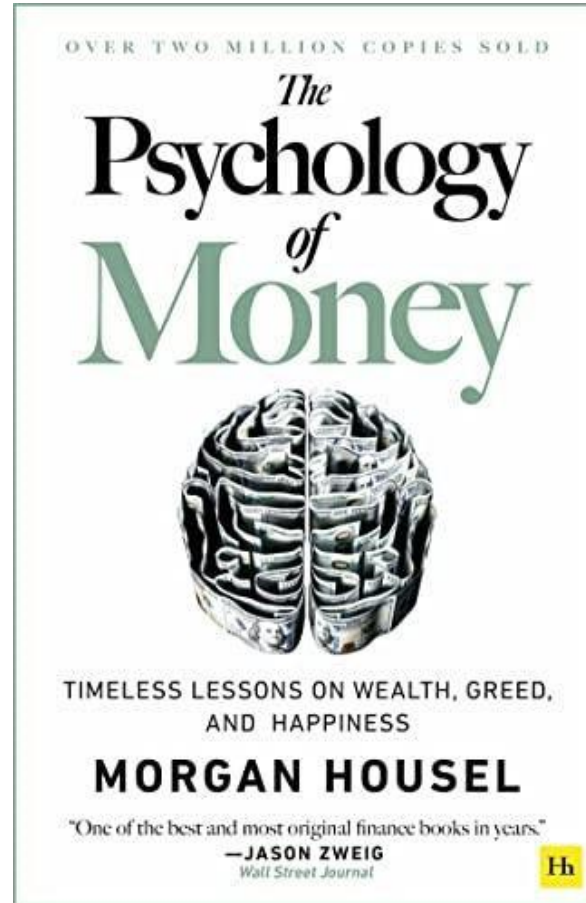
The FreeWill team

- \$7.5 billion+ raised for nonprofits to date
- 1,200+ wonderful nonprofit partners



A gift

- We're going to send a copy of "**The Psychology of Money**" by Morgan Housel to 10 people as a gift
- You'll get a chance at a copy after the session — just look out for an email from FreeWill



The basics of Donor-Advised Funds



What is a Donor-Advised Fund?

- Donors put money into an investment fund with a **sponsoring organization**, and then **recommend** grants out to a charity at a later point
- Donor gets an **immediate tax benefit**, even if the money doesn't go to charities for years
- While donors technically recommend grants, sponsoring orgs very rarely go against a donor's wishes



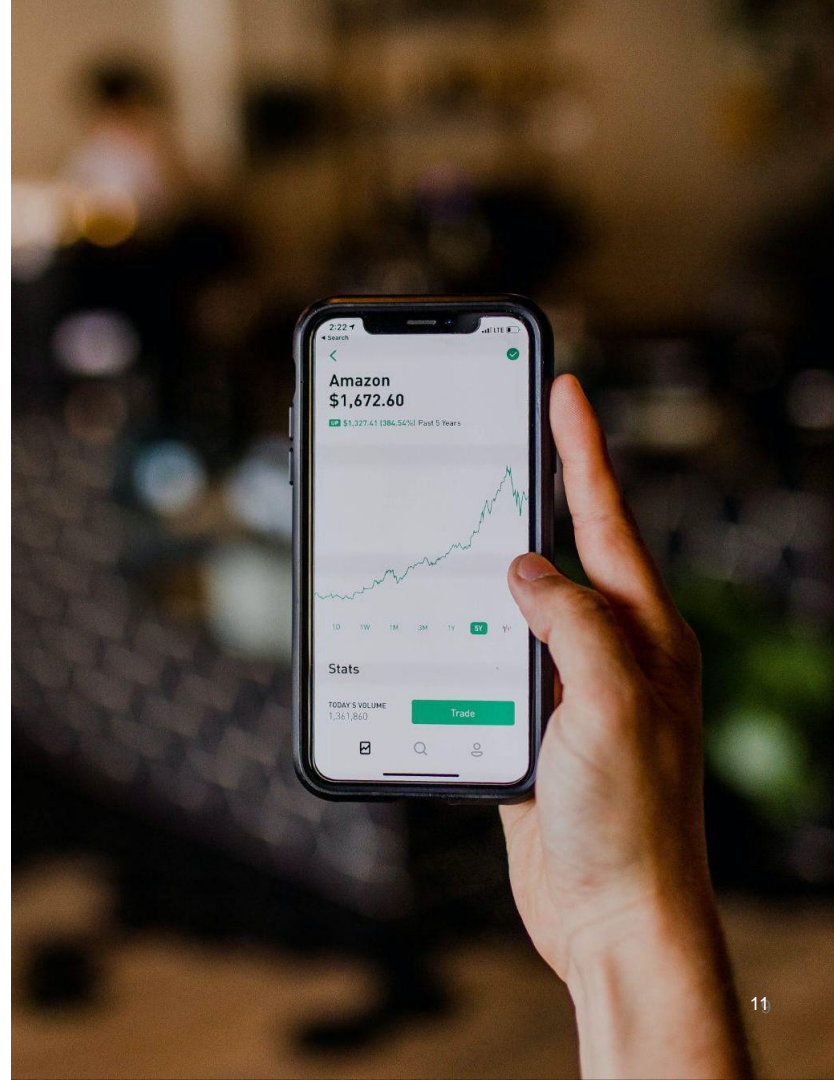
What is a Donor-Advised Fund?

- Money is usually **invested** in this account (mostly in mutual funds) — so the fund grows over time
- Sponsoring organizations generally make money on “management fees” (possibly twice!)
 - Management fee for overall fund
 - Fund fee on mutual funds (made by related organization)



What can donors “give” to a Donor-Advised Fund?

- Donors can contribute cash, publicly traded securities, stocks, crypto, mutual funds, or non-publicly traded assets
- Many DAF sponsor require minimum contributions between \$5,000-\$25,000 (at Community Foundations, these can be as high as \$500k)
- However two of the largest DAF sponsors, Fidelity Charitable and Schwab Charitable, have \$0 minimums
- This makes it easy for anyone to open a DAF



3 types of sponsoring orgs

- 1. Community Foundations:**
Independent organizations created by and for people in a local area
- 2. National DAFs:** Charitable arms of financial custodians like Fidelity and Schwab
- 3. Single issue organizations:**
Institutions that create DAF programs to mobilize members around a certain identity, faith, or organization (most common are universities and hospitals)



The explosive rise of Donor-Advised Funds



Money going into DAFs is growing at a tremendous rate

Contributions to DAFs in 2021 reached an all-time high, seeing **47% growth** over 2020 (which was itself 21% growth over 2019)

Source: [National Philanthropic Trust](#)

FIGURE 2: TOTAL VALUE OF CONTRIBUTIONS TO DONOR-ADVISED FUNDS
\$ IN BILLIONS

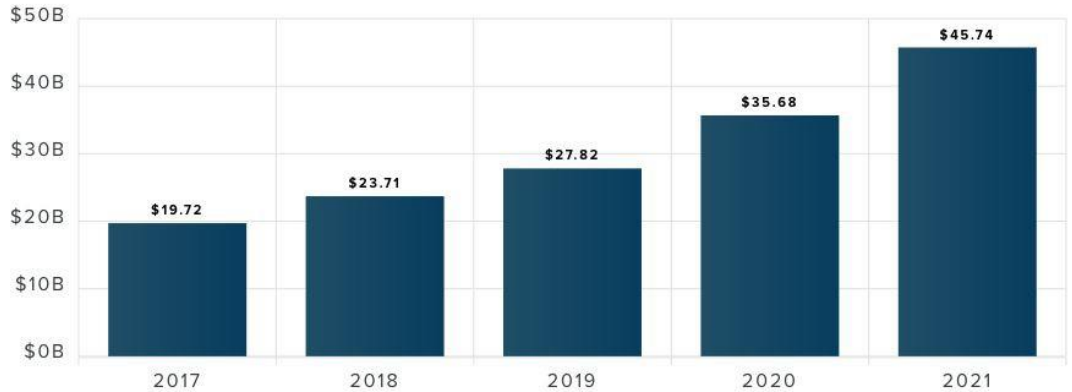


Money coming *out* of DAFs is growing even faster

2021 DAF grants reached a new high at **\$46 billion** — a **28% increase** from 2020, and one of the highest rates of increase on record

Source: [National Philanthropic Trust](#)

FIGURE 1: TOTAL VALUE OF GRANTS MADE BY DONOR-ADVISED FUNDS
\$ IN BILLIONS



More donors are opening DAFs

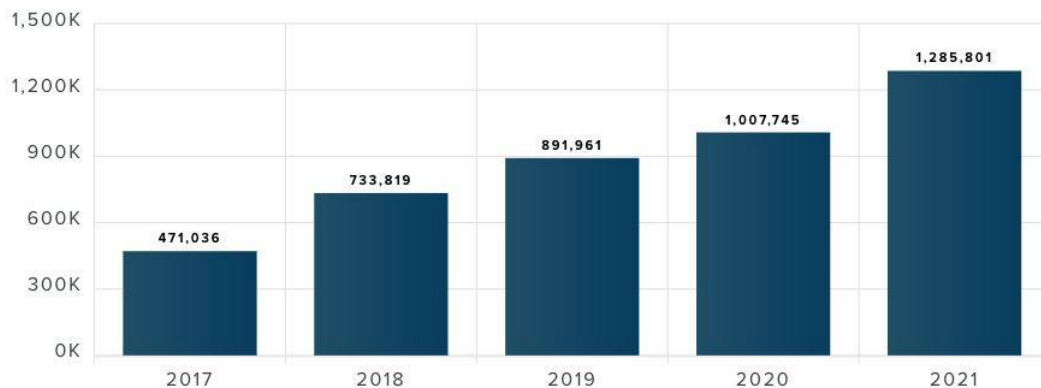
There were nearly 1.3 million DAF accounts in 2021 (an increase of 28%), with 54% of sponsors seeing an increase in new accounts

The average size of a DAF account in 2021 was \$183K, a 9% increase over 2020

Source: [National Philanthropic Trust](#)



FIGURE 4: TOTAL NUMBER OF DAF ACCOUNTS



Money coming *out* of DAFs is growing even faster

- DAF payout rates reached an all-time high in 2022, at 27%
- In 2021 (last year of data available), DAFs granted **nearly \$46 billion** to nonprofits (up from nearly \$36 billion in 2020)
- There's been a 5X increase in total annual grantmaking from DAFs in the past decade
- The payout rate across all DAFs has been consistently high and well above the mandated minimum of 5% — national DAFs had the highest payout rates (30.8%) and community foundations had the lowest (20.5%)



Source: [National Philanthropic Trust](#)

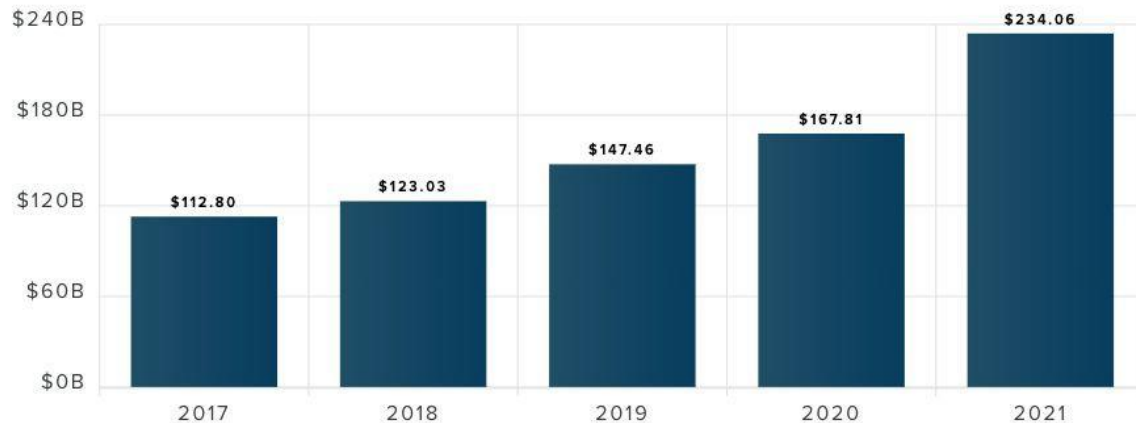
Money inside DAFs continues to rise

There was \$234B in DAFs at the end of 2021 — a nearly **40% increase** from 2020

Source: [National Philanthropic Trust](#)



FIGURE 3: TOTAL ASSETS IN DONOR-ADVISED FUNDS
\$ IN BILLIONS



And DAFs remain a large part of all charitable giving

- Grants from DAFs to qualified charities increased more than 60 percent in the past two years
- Americans gave \$484.85 billion to charity in 2021, and \$72.67 billion were DAF contributions — meaning nearly **15% of all charitable giving** in 2021 was contributions to DAFs
 - Up from 10% in 2020 — meaning year after year, more donors are turning to DAF gifts

Source: [National Philanthropic Trust](#)



How the 3 types of Donor-Advised Funds are growing

1. Community Foundations
2. National DAFs (Fidelity, Schwab, etc.)
3. Single issue DAFs (The Nature Conservancy, Harvard, etc.)



National DAFs are growing (and granting) the fastest

1. Community Foundations: \$45.8B in assets,
9.5% growth

- a. \$9.58B in grants (16.5% increase)
- b. 20% of total DAF grant dollars

2. National DAFs: **\$150.82B** in assets,
44.5% growth

- a. \$32.19B in grants (41.6% increase)
- b. 70% of total DAF grant dollars

3. Single issue DAFs: \$13.8B, a 6.9%
decrease

- a. \$3.97B in grants (16% decrease)

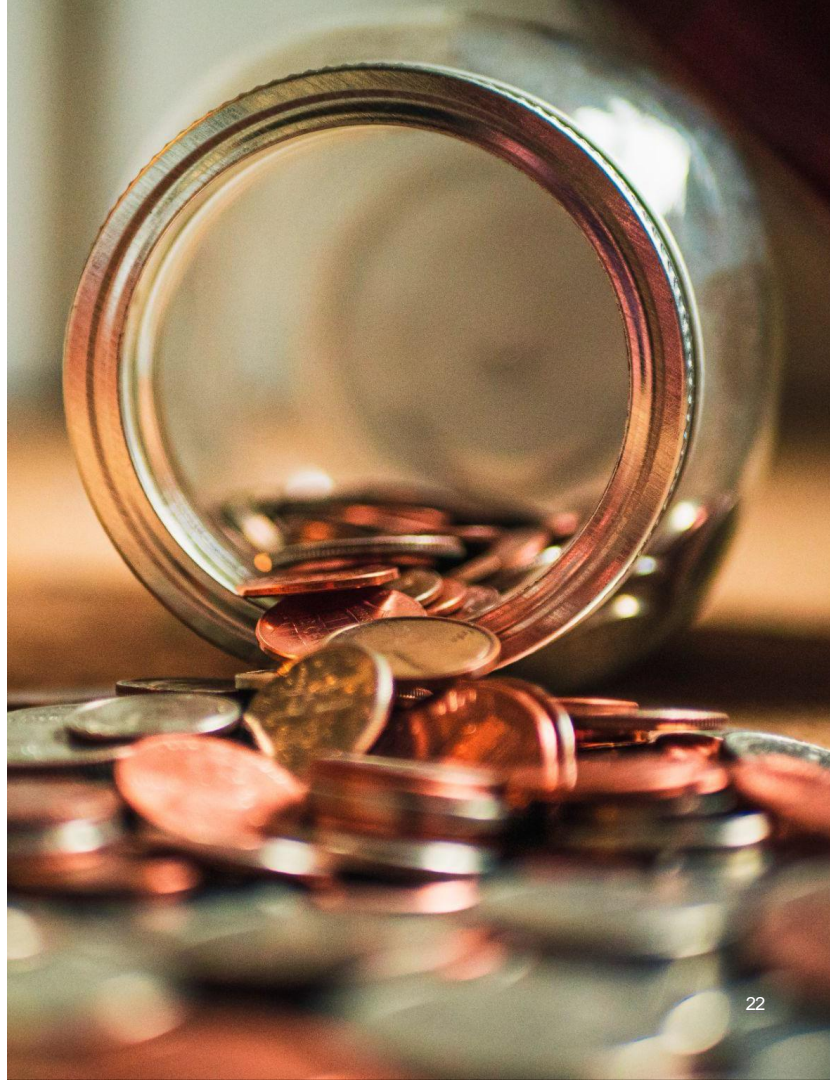
Source: [National Philanthropic Trust](#)



Nonprofits received more DAF gifts and dollars in 2022 than 2021

- We surveyed nonprofit fundraising professionals from all organization sizes and cause areas
- In 2022, surveyed organizations received:
 - **32% more DAF gifts**
 - **56% more DAF dollars**
- The average gift size increased by 24%

Source: [2023 FreeWill DAF Report](#)



But not all nonprofits grew equally

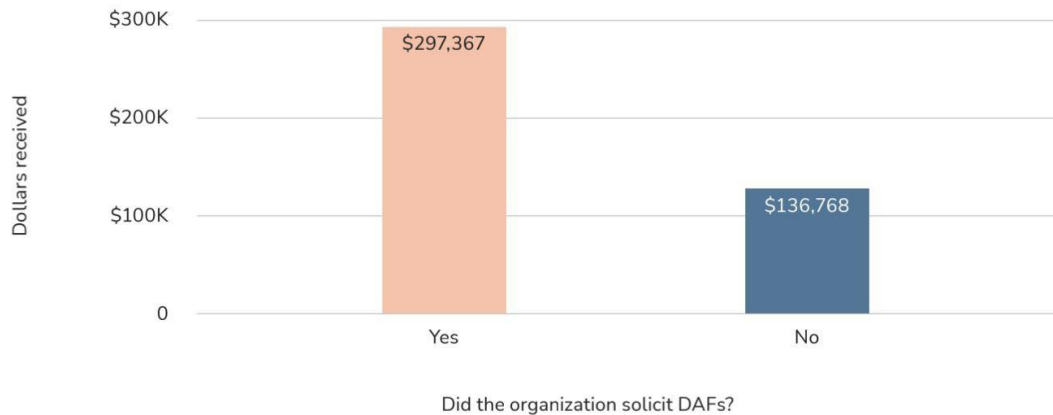
Organizations that solicited DAFs received **2.2 times more DAF dollars** in 2022 than those that didn't

Promoting DAFs to your donors is **extremely important** for growth

Source: [2023 FreeWill DAF Report](#)



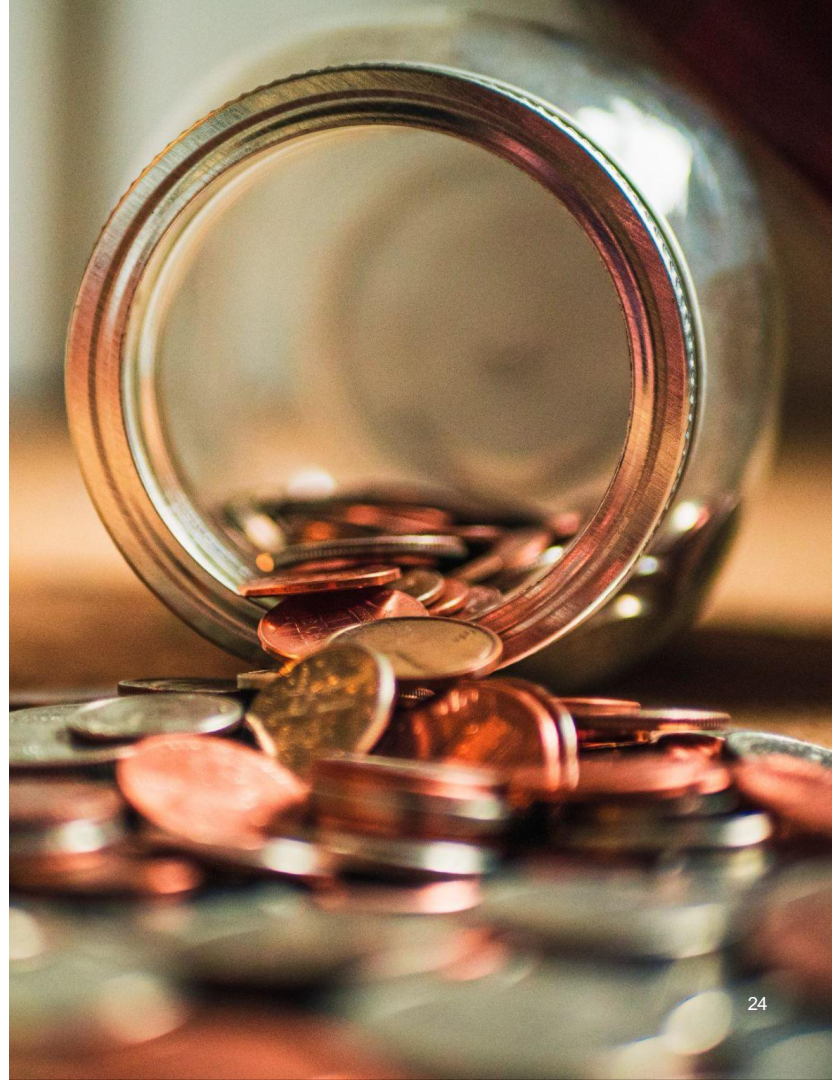
AVERAGE TOTAL DAF
DOLLARS RECEIVED
IN 2022, BY ORGANIZATION



DAFs are important during a recession

- **72%** of respondents said that DAFs will be more important to their organizations in 2023 compared to previous years (0% said less)
- **54%** think soliciting DAFs will be more important during an economic downturn

Source: [2023 FreeWill DAF Report](#)



**But why are Donor-Advised
Funds growing so much?**



Reason #1: A shift in tax policy

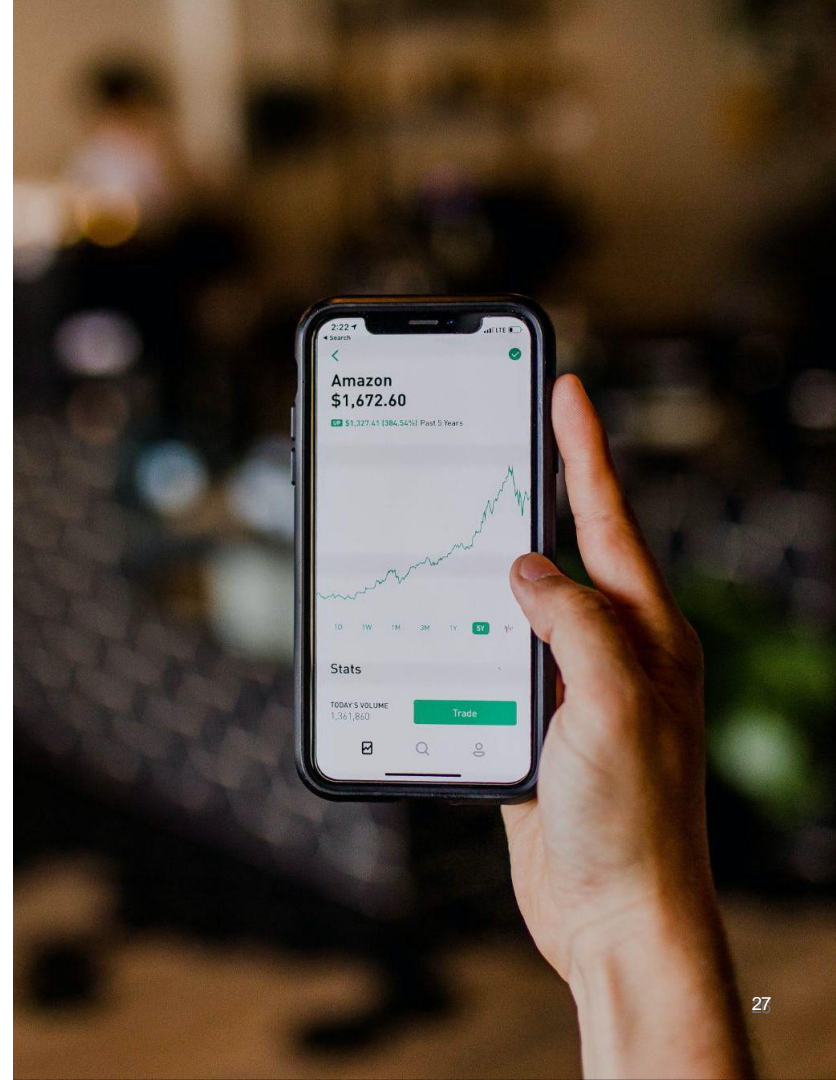
- The standard minimum deduction increased in 2018, making it more tax beneficial for some donors to give a large lump sum in one year and spread out their DAF grants over several years
- Only about 10% of people itemize tax deductions now (compared to 30% in 2017) — this is why Qualified Charitable Distributions (gifts out of IRAs) are exploding, too



Reason #2: Assets are appreciating and being used to fund DAFs

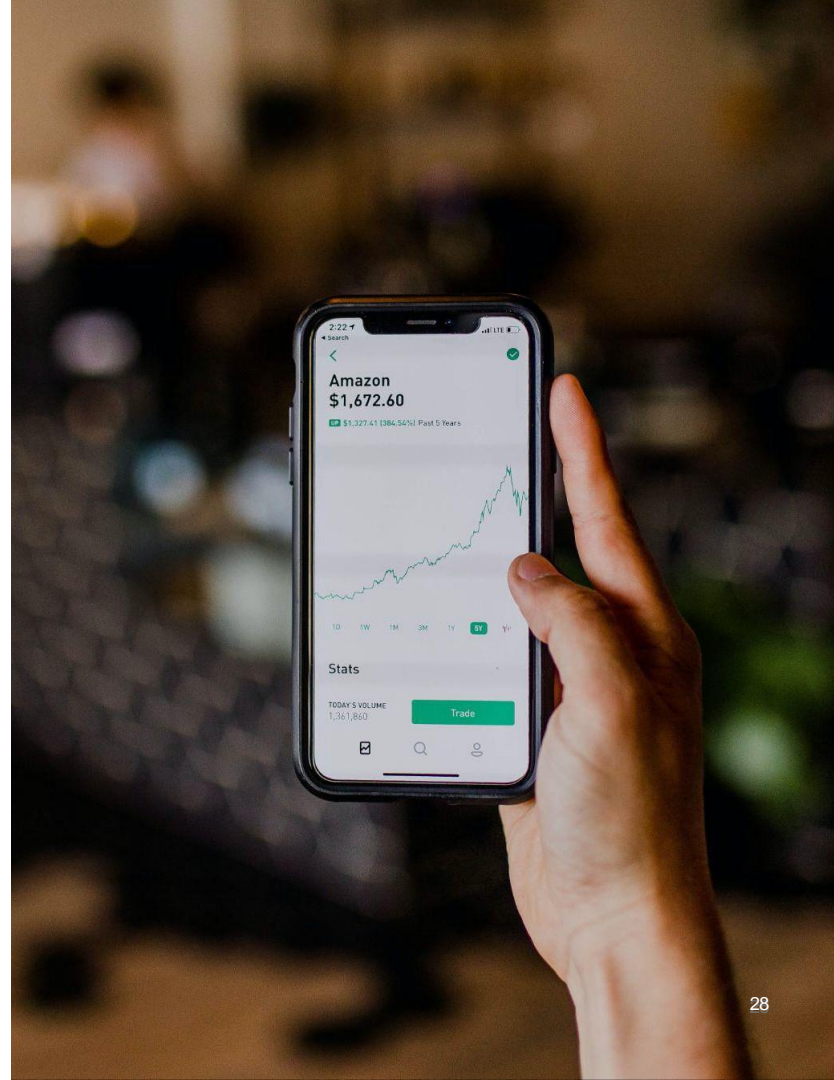
- **Two-thirds of 2021 contributions to both Fidelity Charitable and Schwab Charity were non-cash assets**
- Donors are getting smarter about the tax benefits of giving stock, crypto, mutual funds, etc. (which can mean up to 70% tax savings on a gift)

Source: [Macrotrends](#), [Schwab Charitable](#), [Fidelity Charitable](#)



Reason #3: National DAFs make it really easy to give

- National DAFs are making it easy and intuitive to give stock and other non-cash gifts
 - Many have removed the minimum amount required to fund an account, making non-cash giving more accessible
- Remember: While donor behavior is changing, most DAFs at community foundations and single issue orgs are adding many fewer accounts per year, and hold fewer DAF dollars overall
- **National DAFs are acquiring new donors at an accelerated rate, so they must be doing something different to be driving such growth**



7 steps to secure more DAF gifts in 2023



First, let's understand how much money is likely to come out of DAFs in 2023

Remember that 2022 DAF grants reached a new high at **\$46 billion** — a **28% increase** from 2021, and one of the highest rates of increase on record

Source: [National Philanthropic Trust](#)

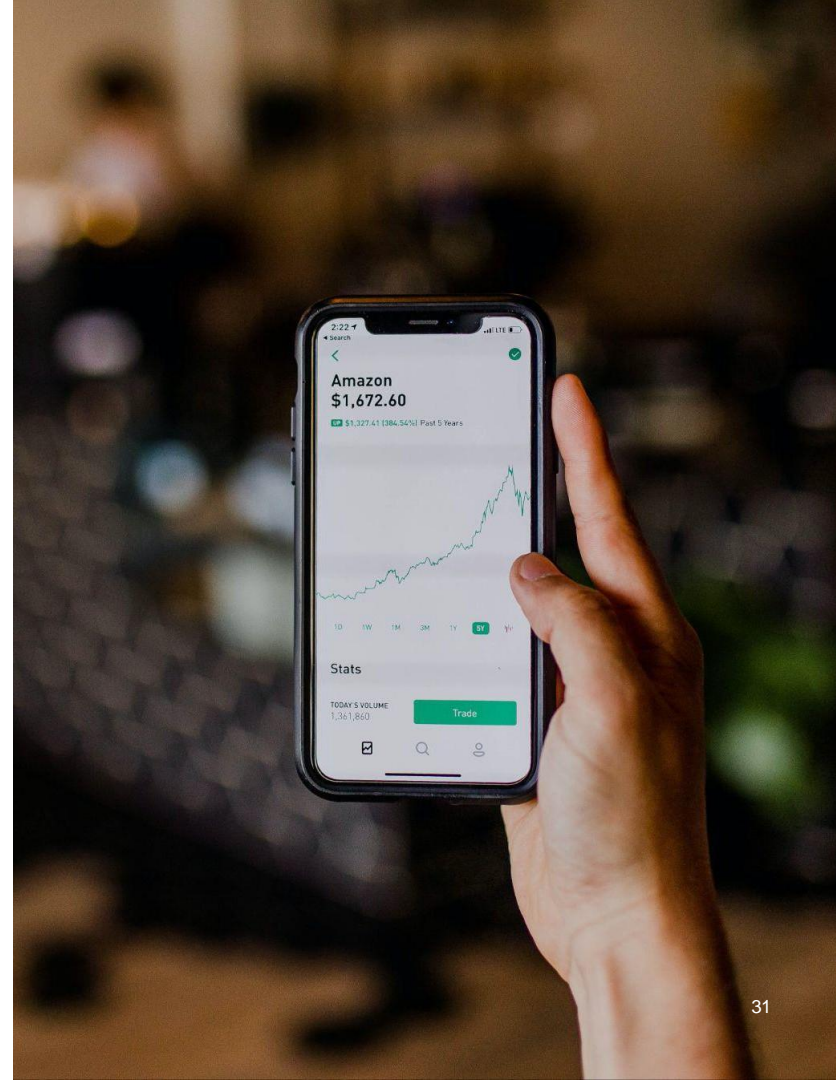


FIGURE 1: TOTAL VALUE OF GRANTS MADE BY DONOR-ADVISED FUNDS
\$ IN BILLIONS



Understanding DAF grants in 2023

- We saw \$46B in 2021 grants from DAF
- The average **Compound Average Growth Rate (CAGR)** in DAF grants has been 23.4% over the past 5 years
- If we hold these rates constant, we would expect **\$57B in grants in 2022** and **\$70B in grants in 2023**
- **This means that in 2023, one in every five individual giving dollars is going to come from a DAF**
- **There's no serious path to fundraising success in 2023 that doesn't have a plan for Donor-Advised Funds**
- **AND we would expect this to be even more true in 2024**

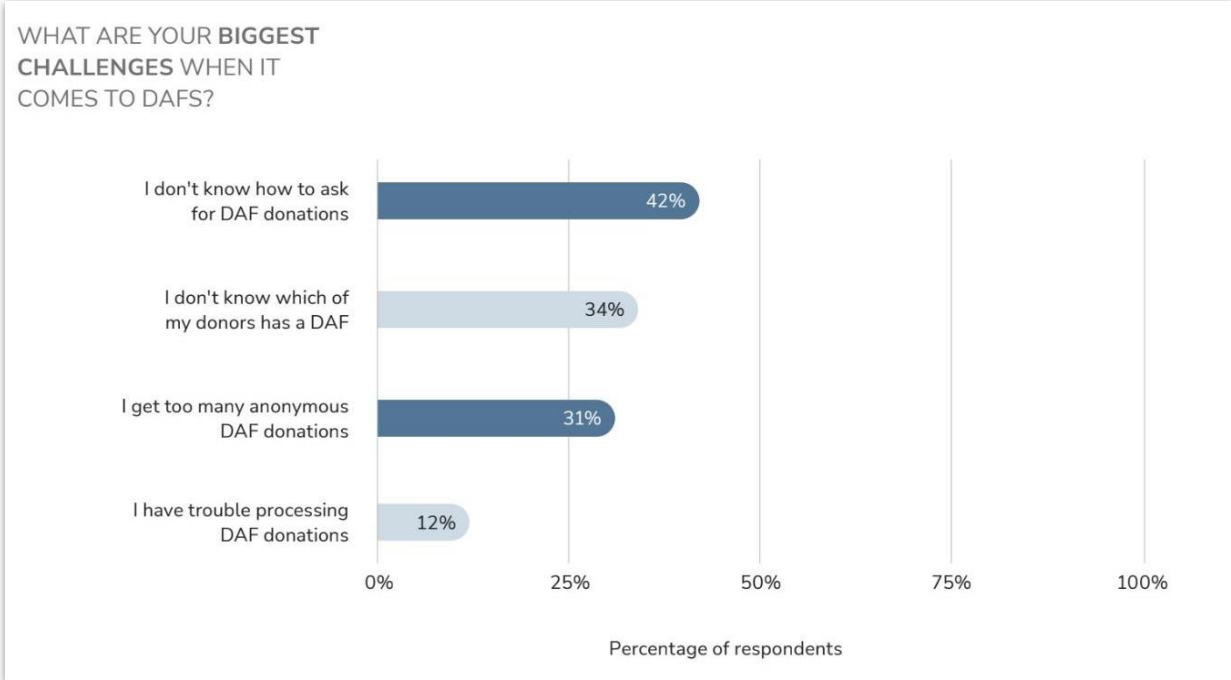


Second, let's look at key challenges fundraisers face

42% of fundraisers we surveyed said knowing how to ask for DAFs was their biggest hurdle

31% said they struggle with anonymous donations – spending their time and resources tracking down donor information

Source: [2023 FreeWill DAF Report](#)



Step 1:

Understand your DAF donors

- DAFs are relatively new to you
- And with hundreds of thousands of new accounts opened in the last couple years, **they are also new to many donors**
 - Your donors may still be trying to understand how to use them
- **You can shape behavior now** for the decades to come



Step 1:

Understand your DAF donors

- Donors opening DAFs are starting to shift younger
 - 79% of DAF donors are over 50
 - But 13% of DAFs were opened by Millennials in 2019
- Part of this shift is that some workplaces are adding DAFs as a perk and more sponsoring organizations are offering low or zero minimum contributions

Source: [Fidelity Charitable](#)



Step 1:

Understand your DAF donors

- **DAF donors are actively engaged in giving**
 - 91% of Fidelity Charitable DAFs made at least one grant in 2021
 - The average account made 9 grants
- **Donors are committed to their favorite charities and causes**
 - Three-quarters of grants from Fidelity Charitable DAFs went to a charity the donor had previously supported
- **Key takeaway: Your DAF gifts will largely come from your existing donors**

Source: [Fidelity Charitable](#)



Step 1:

Understand your DAF donors

- DAF donors (of all ages!) are also very tech-savvy
- Almost all National DAF donors go online to recommend grants
 - **94% of Fidelity Charitable donors recommend grants online**

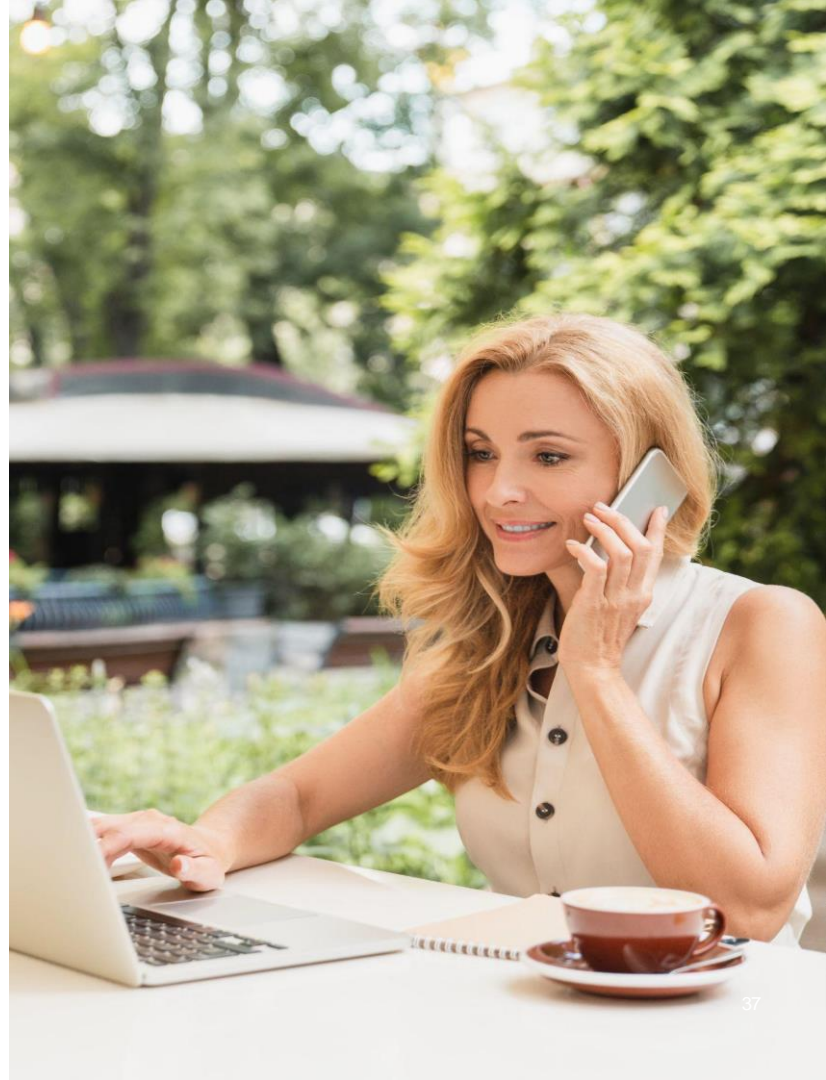
Source: [Fidelity Charitable](#)



Step 1:

Understand your DAF donors

- Key tip: Remember your ex-board members
- Previous board members fit the demographic, psychographic, and behavioral trends of DAF donors
- Make a list of past board members and call to check in on them — make sure you ask whether they have a Donor-Advised Fund



Step 2:

Ask in every major donor conversation

- Ask major gift prospects if they have one: *“Many of our supporters give out of a Donor-Advised Fund. Would you like information on how other people are using their DAFs to make a bigger impact?”*
- Develop one or more DAF donor stories



Step 3:

Develop a “tag” in your database for “has a Donor-Advised Fund”

- Tag everyone you find through surveys and conversations, even if they haven't given this way yet
- You may have to repurpose a different tag



Step 4:

Add this language to the Donor-Advised Fund section of “Ways to Give”

“When you make a Donor-Advised Fund gift, it’s possible that the sponsoring organization will not share your information with us.

Please send us a note at [email address] or fill out [this form](#) when you’ve made a gift so we can make sure to thank you and ensure that your gift gets to where it is intended.”



Step 5:

Learn how to navigate National DAFs

- Less active role in recommending nonprofits (are not seen by many donors as philanthropic experts)
- Outreach to National DAFs may be a poor use of time — focus instead on cultivating your supporters and donors
- DO make sure your Guidestar profile is up to date, as this is used as a resource by the National DAFs
- DO understand the massive growth of accounts at these entities



Step 6:

Understand Community Foundations

- More active role in recommending nonprofits than Fidelity, Schwab, etc. (especially if you're a local charity)
- Be proactive now: **Set up coffee/tea with foundation staff to understand what they're looking to fund** (so you can come back to them when you have a great fit)
- **Share projects and funding opportunities**, instead of simply about your organization



Step 7: (Most important!)

DAFs should be an option every time you send fundraising emails or mail

- Every time a donor with a DAF gives in cash, we lose
- Cash gifts will be much smaller from the same donors
- AND, we lose the chance to identify a DAF holder, which is a great sign of someone with **both means and charitable intent**



Step 7: (Most important!)

DAFs should be an option every time you send fundraising emails or mail

- On your **donate page**, there should be a link to “Give from my DAF”, the same way you have credit card and PayPal buttons
- Remember: DAFs are new to donors too, so they need the reminder to give this way
- Capture information on the gift that’s coming in
- Also, there’s an advanced version



Donor-Advised Funds with FreeWill

The image shows a web interface for connecting a donor-advantaged fund. A modal window is open in the center, titled "FIDELITY Charitable*", with a sub-header "Login to your account". The modal text reads: "Securely connect your Donor Advised Fund account with Chariot." Below this, there are two input fields: the first contains "good-user" and the second is masked with "*****". A green "Continue" button is positioned below the second field. At the bottom of the modal, there is a link for "Reset your password" and a shield icon with the text "How does Chariot work?".

The background interface is dimmed and includes the following elements:

- Form fields for "What is your name?" with sub-fields for "Jane", "Mary", and "Doe".
- A field for "Preferred name (Optional)".
- A field for "What is your email address" containing "jane@example.com".
- A field for "What is your phone number" containing "(201) 555-5555".
- A checkbox with a checkmark and the text: "By checking this box, I confirm that I have read and agree to FreeWill's [Terms of Service](#) & [Privacy Notice](#)."
- A blue button at the bottom right labeled "Connect donor-advantaged fund".
- Footer text: "Powered by: **FREEWILL**" with a feather logo.



Donor-Advised Funds with FreeWill

What is your name?

Jane Mary Doe

Preferred name (Optional)

What is your email address?

jane@example.com

What is your phone number?

Sharing your phone number allows Acme to thank you.

(201) 555-5555

This tool is powered by FreeWill and Chariot. Your name, phone number, email address, and account information will be securely recorded. FreeWill will share the information with Acme. By clicking "Continue", you certify that you have read and agree to FreeWill's [Terms of Service](#) and [Privacy Notice](#).

By checking this box, I confirm that I have read and agree to FreeWill's [Terms of Service](#) & [Privacy Notice](#).

[Connect donor-advised fund](#)

Chariot

Acme

Example Account No... \$100,000.00

\$45,000 USD

Boost your donation!

+100 +250 +500 +1,000

Continue

By clicking "Continue", you certify that you have read & understood [Donor Advised Fund Terms & Services](#).

Powered by: **FREEWILL**



Donor-Advised Funds with FreeWill

The image shows a web form for connecting a donor-advised fund. The form is partially obscured by a white modal window. The form fields include:

- What is your name? (Jane, Mary, Doe)
- Preferred name (Optional)
- What is your email address? (jane@example.com)
- What is your phone number? (201) 555-5555

The modal window displays the text "Establishing secure connection" and has a close button (X) in the top right corner.

Below the form, there is a checkbox with the text: "By checking this box, I confirm that I have read and agree to FreeWill's [Terms of Service](#) & [Privacy Notice](#)." The checkbox is checked.

At the bottom right, there is a button labeled "Connect donor-advised fund".

At the bottom of the page, it says "Powered by: [FREEWILL](#)".



Donor-Advised Funds with FreeWill

The image shows a registration form for a donor-advantaged fund. The form is partially obscured by a white modal window. The form fields include:

- What is your name? (Jane, Mary, Doe)
- Preferred name (Optional)
- What is your email address? (jane@example.com)
- What is your phone number? (201) 555-5555

The modal window displays the text "Authenticating credentials" and has a close button (X) in the top right corner.

Below the form, there is a checkbox with the text: "By checking this box, I confirm that..." and a link to "Privacy Notice".

At the bottom right, there is a button labeled "Connect donor-advantaged fund".

At the bottom of the page, it says "Powered by: FREEWILL" with the FreeWill logo.



Donor-Advised Funds with FreeWill



Thank you for your support.

Your grant request in support of Acme has successfully been made. You will be emailed a receipt from Charityvest once the grant is complete.

A copy of this information has been saved to your FreeWill account under the email jane@example.com.
You can [log into your account](#) at any time.

Start another grant

Powered by: **FREEWILL**



Advanced strategies for success with Donor-Advised Funds



#1: Suggest recurring gifts

- Many donors don't know that recurring donations are an option from DAFs

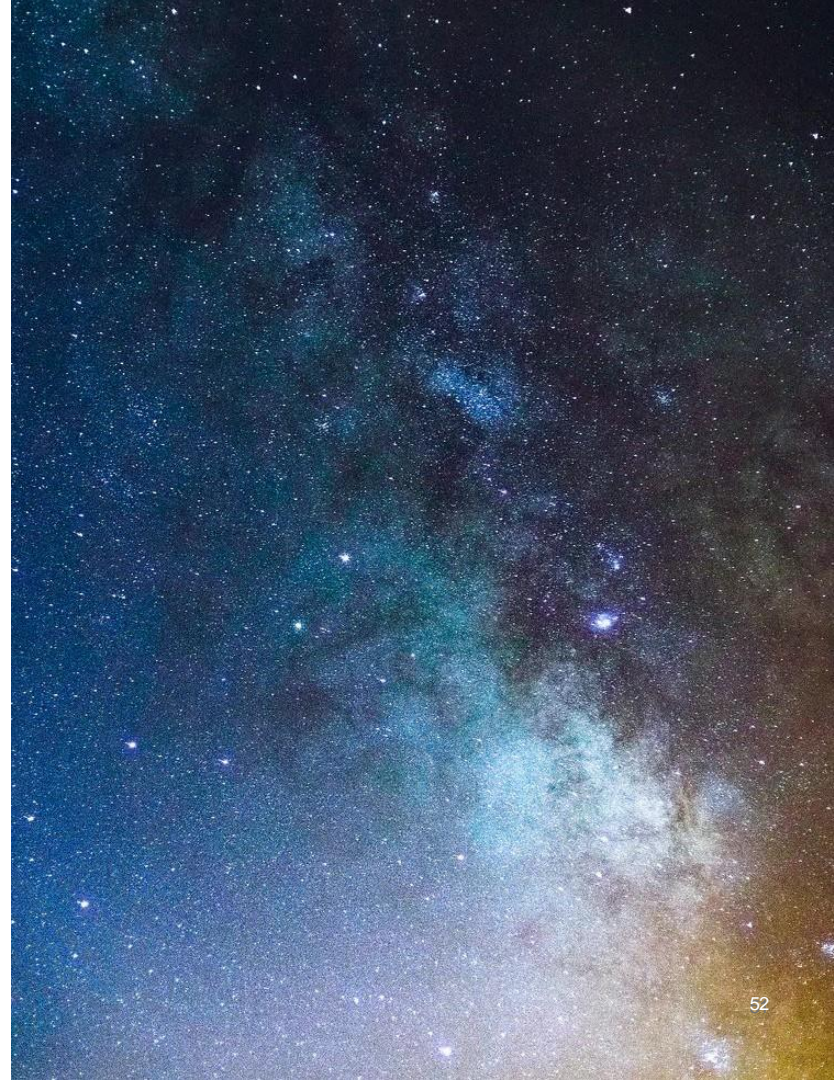
“One of the biggest barriers to even more impact is that we often don't have certainty about how much money will come in during a given year. Many people choose to make a recurring gift because it allows us to plan more thoughtfully and make the most of your donations. And you can always cancel it if you change your mind...”



#2: Ask about beneficiary designations

- Many donors don't have beneficiary designations for their DAFs

“One thing I’ve seen is that many of our donors forget to add beneficiary designations. You may have already thought of this, but just in case, I wanted to raise it. Would you like me to talk you through some of the options?”



#3: Remember matching gifts

- Many donors don't know that their employer may match *grants* from DAFs (but not *donations* to DAFs)

“Thank you so much for your grant! You may already know this, but many of our supporters don't realize that they can get their Donor-Advised Fund gift matched by their employer. Does your employer do matching gifts?”

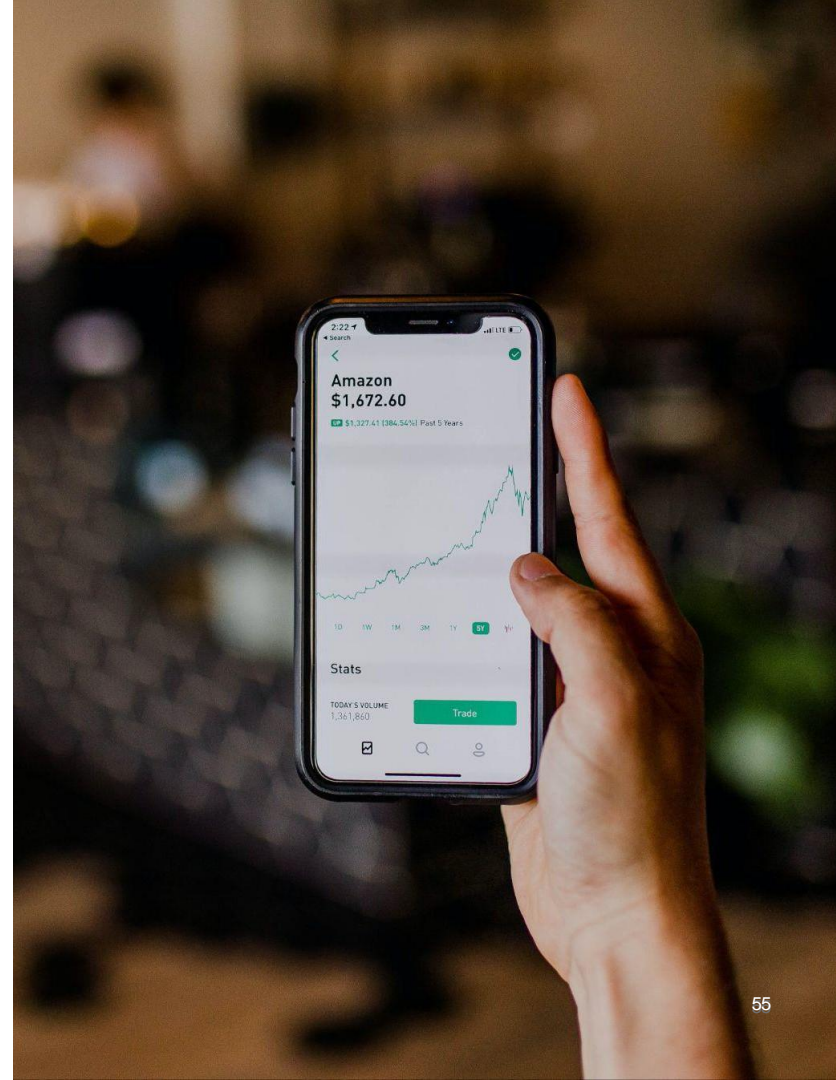


**The best way to “be
exceptional at DAFs”**



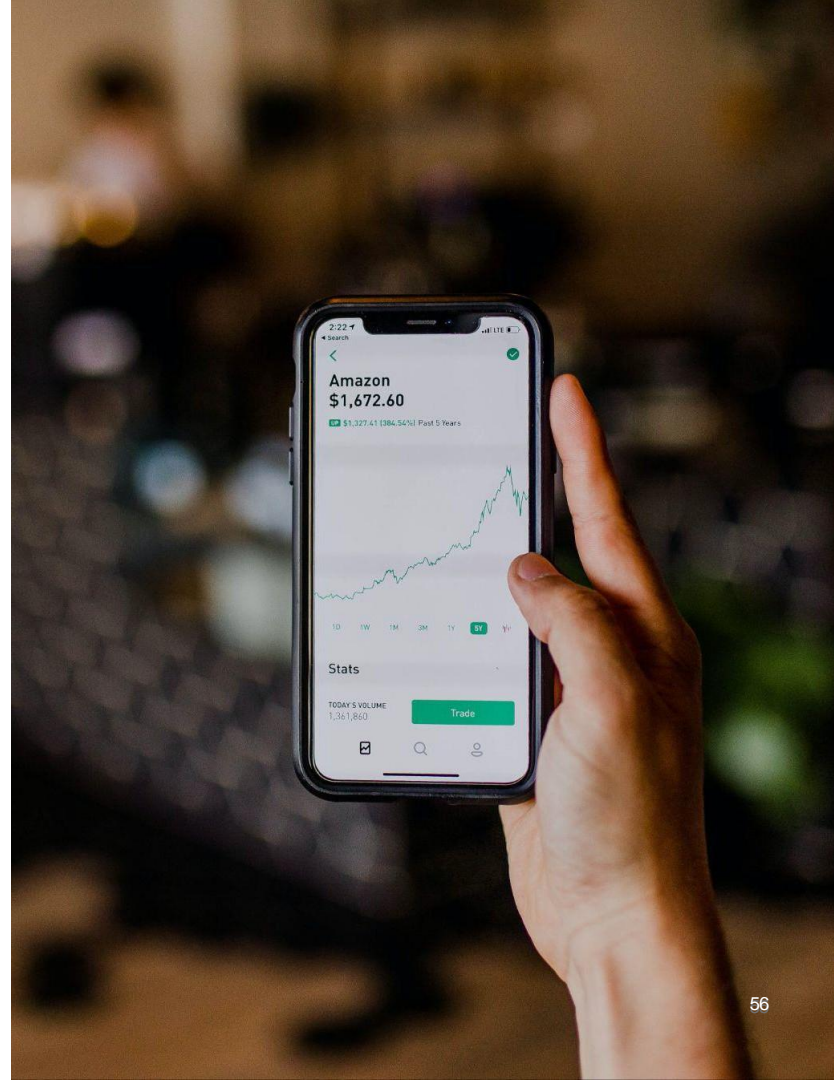
Get great at non-cash giving

- **Two-thirds of all funds going into DAFs are in non-cash assets, primarily stock, mutual funds, and crypto**
- National DAFs make it particularly easy (easier than you do!) to make non-cash gifts, which is largely responsible for their growth
- If you can make it easy and accessible for donors to give you stock, mutual funds, or crypto, many will skip the DAF



Get great at non-cash giving

- In normal fundraising emails, start including “asks” around smart gifts like: stock, crypto giving, and donor advised funds.
- E.g. “Please consider donating today, using credit card, gifts of stock or cryptocurrency, or your Donor Advised Fund.”
- **Place a link to “give stock”, “give crypto”, and “give from my donor advised fund” on your main donate page — not just your “Ways to Give” page**



United Way "Donate" page

United Way
Volusia-Flagler Counties

WAYS TO GIVE

- I want to donate via stock transfer
- I want to donate via IRA distribution
- I want to donate cryptocurrency
- I want to make a one-time or monthly donation

Select your donation amount here

\$52 \$155 \$288 Other

\$ 52.00

Payment frequency

United Way
Volusia-Flagler Counties

WAYS TO GIVE

- I want to donate via stock transfer
- I want to donate via IRA distribution
- I want to donate cryptocurrency

****When making a donation via cryptocurrency, you do not need to fill out the online form. However, please let us know once a transaction has been initiated because some financial institutions don't pass along donor contact information.****

Click this link to donate cryptocurrency to United Way of Volusia-Flagler Counties:
<https://bit.ly/CryptoUWVFC>

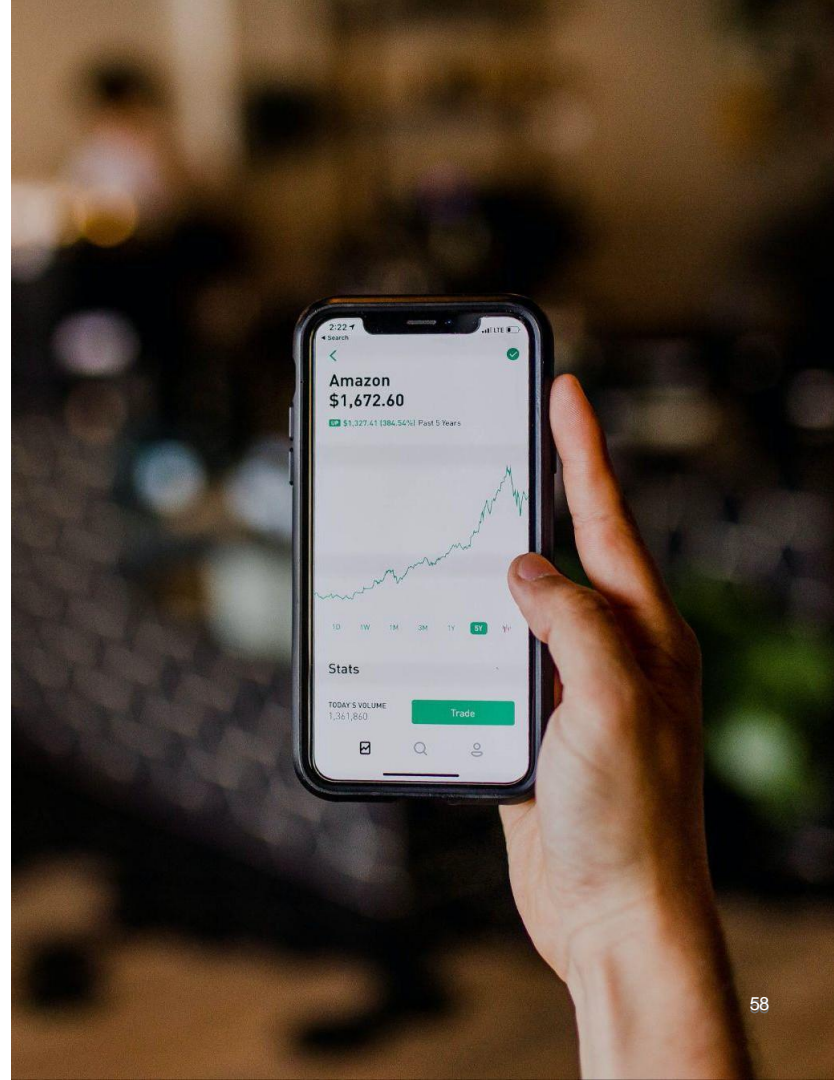
Cryptocurrency donations are processed by Cocatalyst Impact, Inc. and Crypto for Charity, and the net proceeds are promptly sold and transferred to United Way of Volusia-Flagler Counties (UWVFC) in U.S. dollars. We do not maintain a reserve of cryptocurrency, therefore all crypto donations to UWVFC are final.

DONATIONS



Here's the secret about non-cash giving

- Research shows that reminding people about their investments and assets leads to them spending or giving more
- So including smart giving options (alongside cash) in your normal fundraising outreach has two massive impacts:
 - Gets more of these large gifts (and lets you know who has the assets)
 - AND increases the size of your cash gifts

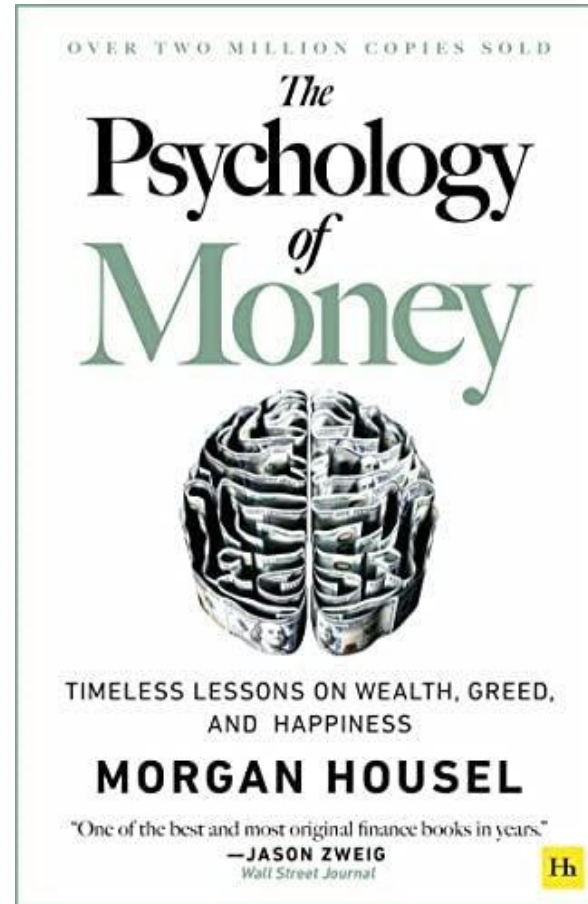


Resources



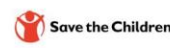
A gift

- We're going to send a copy of "**The Psychology of Money**" by Morgan Housel to 10 people as a gift
- You'll get a chance at a copy after the session — just look out for an email from FreeWill



Join 1,200+ other nonprofit organizations...

- FreeWill is currently a good fit for US nonprofits with \$500,000+ in annual individual contributions OR 3k+ email supporters



One minute break

Q&A is next!



Next steps

1. Please keep an eye out for an email from FreeWill after the session - we'd appreciate your feedback
2. We'll send you an invite to our next webinar on **May 23rd at 12pm ET**: "Writing for planned and major gifts: Tips for standing out in 2023"
3. Recording & slides will be shared with you via email
4. If you have creative ideas to share (or if you need anything at all), just email me at patrick@freewill.com

