CAGP FOUNDATION

DONOR-ADVISED FUNDS

A RESOURCE FOR FINANCIAL PROFESSIONALS

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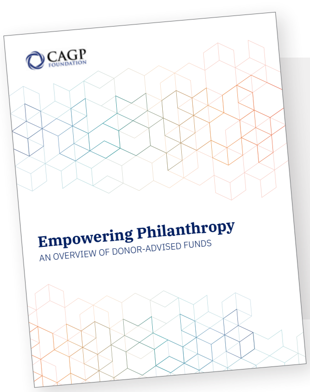
Resource For Financial Professionals

This resource forms part of a set of four documents providing information on donor-advised funds to charities, donors, financial professionals, and DAF foundations. This particular document aims to provide information and guidance to financial professionals engaging in discussions with their clients around donor-advised funds. The complete set of resources is a product of CAGP's DAF Working Group, which is made up of practitioners, fundraisers, legal experts and researchers.



For a deeper dive, please see: Empowering Philanthropy: An Overview of Donor-advised Funds

Definition and Summary

A donor-advised fund (DAF) is a fund established at a registered charity on behalf of an individual, multiple donors, a group, association or business. It allows donors to make a charitable gift, receive an immediate tax receipt, and recommend grants to specific charities over time.

DAFs are a simple and convenient vehicle for strategic charitable giving, allowing donors to centralize their donations and plan distributions to one or several registered charities for an extended period. DAFs are experiencing exponential growth, so it's important that each participant group understand their roles and responsibilities, and those of the other parties.

THE PHILANTHROPIC CONVERSATION

For financial professionals, charitable giving is an important aspect of financial, tax and estate planning for your clients. Here are some recommendations on how to have these discussions.

Begin Early

> Introduce charitable giving discussions early in the financial planning process to integrate philanthropy into your client's overall strategy and understand their core values and motivations for giving.

Ask Open-ended Questions

> Questions like "What makes you passionate about XYZ Charity?" can provide valuable insights and help you build a relationship based on mutual understanding and trust.

Emphasize Impact

> Focus on the philanthropic impact more than the tax benefits, so your clients can see the meaningful difference their contributions can make. Encourage them to research the causes and charities they want to support, while helping them analyze financial data and governance details.

THE ROLE OF FINANCIAL PROFESSIONALS IN DAFS

As a financial professionals, you may find yourself carrying out one or more of the following responsibilities:

Planner

> Reviewing your clients' financial, tax and estate plan and suggesting a giving schedule: immediate, deferred or estate donations, or a mix of both.

> Determining which assets are best to donate according to their circumstances, ensuring recommendations align with current tax treatment and the DAF foundation's gift acceptance policy.

Educator

> Making clients aware of how DAFs and alternative giving vehicles work.

> Describing how your client can be recognized by the recipient charity.

> Reminding them that DAFs **cannot** be used to:

  » make contributions to political parties or candidates

  » pay for the education of individuals, unless the gift is to a scholarship fund at a registered charity

  » buy tickets to a charity gala event

  » buy items from a charity auction

  » pay for entry to a fundraising event, e.g. a golf tournament

  » benefit or give advantage to the DAF advisor, other donors to the fund or related parties, through payment of membership fees or dues, tuition fees, etc.

  » participate in a crowdfunding campaign

  » grant to an international charity which is not a qualified donee, unless the foundation is specifically set up to do this

Agent/Referrer

> Helping clients establish DAFs within in-house programs or at local community foundations, providing guidance and support during the process.

> Educating them about all their options, such as DAF programs or foundations not affiliated with your organization.

> Ensuring they find the best fit for their philanthropic goals.

Investment Manager

> Where applicable, entering into formal agreements to manage DAF assets owned by the DAF foundation.

> Ensuring compliance with DAF foundation policies and regulations.

Advisor

> If requested by your client, representing them, with documented authority to act on their behalf in developing and making grant recommendations to the DAF foundation.

> Ensuring all recommendations comply with the foundation's policies and the Income Tax Act.

FINAL RECOMMENDATIONS

In a complex and regulated financial landscape, full disclosure, ethical conduct, and ongoing professional development is important.

Be Transparent

> Disclose any benefit, fees or other form of compensation you'll receive from the DAF foundation, or any financial institution or affiliated business.

> Make compensation reasonable and proportionate to the services provided, avoiding commission-based structures that could influence advice.

> Address potential conflicts of interest and provide clarity, especially when acting as investment manager of the DAF for the DAF Foundation while managing your client's assets.

Competence and Professionalism

> Keep up to date on changes in charitable contribution rules and regulations so you can provide accurate advice.

> Consider enrolling in the MFA-P designation program and attending CAGP courses to stay abreast of best practices.

> Collaborate with other professionals to provide comprehensive advice and support to clients.

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For a full list of the DAF working group members, please see Empowering Philanthropy: An Overview of Donor-advised funds