

The NCFP Guide to...
**Donor-Advised
Funds**

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NATIONAL CENTER FOR
FAMILY PHILANTHROPY

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Introduction



Behind every careful decision giving families make lies a heartfelt longing to do good in the world and express their values. Families want to create and nurture a legacy—one that lasts beyond this lifetime.

One of the early choices every philanthropic family must make is the vehicle they will use to facilitate their philanthropy. Determining which philanthropic vehicle or group of vehicles is the most appropriate choice begins with fundamental questions such as: What is our purpose as a philanthropic family? What do we want to accomplish? How can we make gifts in a way that meets our needs and the needs of those we want to serve?

Many families are choosing donor-advised funds (DAFs) as a way to meet their philanthropic goals. Reasons for using a DAF include:

- It's a convenient, low-cost way to manage giving.
- It allows donors to tap into the expertise and networking opportunities that some sponsor organizations offer.
- It enables donors to give anonymously, outside a foundation's mission or geographic focus.
- It is a way for donors to receive maximum and immediate tax benefits.
- It can help teach the next generation to be responsible inheritors and givers, to enhance a family's engagement, or streamline international giving.

At the most recent count, data from 2024 show an estimated \$326 billion is in DAFs in the United States, granting nearly \$65 billion annually to nonprofits.¹ While this number may sound small compared to the approximately \$1.63 trillion in assets held in private foundations distributing \$122.7 billion in grants and other expenditures in 2024,² both the number of DAFs and the charitable dollars granted from DAFs are going up—making DAFs the fastest-growing vehicle in philanthropy. In 2000, for example, there was 10.2 billion endowed in DAFs, granting \$1.4 billion.³ By 2020, there was \$165 billion in DAFs, granting \$49 billion. Between 2020 to 2024 alone, DAF assets have nearly doubled. In addition, despite the fact that the IRS does not require an annual payout amount from DAFs, data show that aggregate grant payout rates from DAFs annually exceed 20 percent with a grant payout rate of 25.3% in 2024.⁴

Reasons for this growth in DAFs is partly twofold: The ease of giving through a DAF (the sponsor organization administers the fund) and the fact that donors take an immediate tax deduction for what they contribute to a DAF—even though they can choose to give later. And a third, increasingly important, reason is the growing number of financial and wealth advisors with seamless access to DAFs as part of the portfolios they manage.

Beyond that, supply may have influenced demand as DAFs are increasingly accessible to donors. The number of sponsor organizations offering DAFs has exploded in the last three decades; today there are approximately 1,500 known organizations offering DAFs for more than 3.5 million individual DAFs.⁵ (NCFP's [Impact Vehicles and Structures](#) primer provides a comprehensive overview of all of the vehicles, including DAFs, that donors can use and the advantages and tradeoffs of each option.)

This resource provides guidance for donors and families considering DAFs. Please note that this resource includes links and examples for informational purposes only, and not as an endorsement of any of the funds mentioned or referenced and should not be taken as tax or legal advice.

¹ [The Annual DAF Report 2025](#). Donor Advised Fund Research Collaborative, 2025.

² FoundationMark, 2025.

³ [Survey Finds Rapid Rise in Assets and Grants of Donor-Advised Funds](#). *The Chronicle of Philanthropy*, 2001.

⁴ [The Annual DAF Report 2025](#). Donor Advised Fund Research Collaborative, 2025.

⁵ Ibid.

What are donor-advised funds?

Think of a DAF as a personal philanthropy checking and savings account. An individual donor, couple, or family creates an account (a DAF) by transferring assets to a sponsor or sponsor organization, such as a community foundation, a religious federation, or a commercial gift fund. Those assets may be cash, appreciated stock, real estate, or other financial or business assets. The transfer is irrevocable and is considered a complete charitable gift according to the IRS—meaning the donor takes an immediate tax deduction.

When donors establish a DAF, they are giving assets to a 501(c)(3) nonprofit which then owns the fund. While donors give up legal control of the assets, they maintain advisory privileges on the fund. Over time, donors recommend grants from their account to charitable organizations they care about.

Ultimately, the sponsor organization owns the assets and has the final say; yet sponsor organizations take their donor recommendations seriously. While sponsors rarely reject a donors' recommendation—for example, if the recommended grant conflicts with the sponsor organization's mission—the law requires that the sponsor must formally approve all grant recommendations before funds can be distributed. The sponsor must have a system to vet organizations recommended for a grant and to confirm the organizations have 501(c)(3) designation. If an organization does not have this designation, the board of the sponsoring organization may not approve the grant.

Donors and families can establish a DAF at any time through a number of different sponsor organizations. Sponsors typically require donors to submit an application, sign a fund agreement, and make a minimum contribution. While some supporting organizations do not require a minimum contribution, many minimums start between \$10,000 and \$25,000. Once donors start a fund, the sponsor organization does all the back-end work—performing the necessary due diligence or vetting of potential grants, managing investments, keeping records, administering grants, and providing tax receipts.

What services do donor-advised fund sponsors offer?

Services vary among individual sponsor types and organizations. Here are those donors say they appreciate most:

Philanthropic planning. While some donors have a clear sense of the issues and organizations they want to support through their DAFs, many do not. Some sponsors have staff members who can guide the donor or family's philanthropic journey. They may have staff trained to facilitate family meetings, manage group and family dynamics, or provide options for sharing legacy through storytelling and oral histories. Some sponsors, over time, can help donors develop a theory of change, mission or values statement, and develop a philanthropic plan, which may also include a grantmaking budget.

Education and research. Some sponsors are grantmaking institutions and have competitive grant cycles during the year to which local nonprofits may apply. Trained staff members may thoroughly vet these organizations. Some DAF sponsors provide customized information on selected nonprofits available to donors—either online or through staff members. In addition, some sponsors invite nonprofits to develop profiles that include program, budget, governance, and impact information, as well as current needs. This information is sometimes available online via a donor portal. Further, some sponsors offer access to national databases of nonprofits. Many sponsors may host briefings, conduct tours, or hold webinars to educate donors on critical issues affecting their community as well as increase their knowledge about philanthropy. Sponsors may have access to speakers or information on issues not ordinarily available to individual philanthropists.

Grants management. Sponsor organizations typically manage the grants process from start to finish—running a proposal process if applicable; conducting due diligence on potential grantees; awarding and tracking grants; monitoring grants through reports if applicable; and providing donors with monthly, quarterly, or annual financial statements on grants activity and fund financial information. Some will even work with donors to evaluate the fund's effectiveness over time, if requested.

Finance and investment advice. Sponsor organizations vary widely in the number of ways in which donor-advised funds may be invested. In addition to a pooled investment fund, donors may have several choices regarding the fund's investment. Some sponsors only offer pools of funds that donors can select, while others allow their donors' financial advisors to manage the assets in their accounts at various levels beginning at \$10,000, \$100,000, or \$1,000,000 (or some other defined tier). Some sponsors permit donors to use their DAFs to make specific impact investments.

Easy online access. Most sponsor organizations offer easy and convenient online platforms where donors can recommend grantee organizations and track their grants. Online platforms usually include fund balance and grantmaking history. Some sponsors provide donors with the opportunity to make online contributions to their fund. Many have vast local nonprofit information available online, including specific funding opportunities. Sponsors may prepare online issue briefs and share local nonprofit profiles, including information about organizations the sponsor has vetted for its own competitive grantmaking process.

Grantmaking expertise. Professional staff members are available to help donors identify community needs, opportunities, and potential grantees. This may include consultation and perhaps even in-depth analysis if donors request it on areas, issues, and strategies for effective grantmaking from the fund. Sponsors may be able to help donors think about both the types of organizations to support, as well as the types of grants to make. Donors may be offered the ability to recommend grants for general operating support, project specific support, to capital campaigns, scholarships, and to endowments. Some sponsor organization staff members can even set up site visits and accompany donors as they meet with grantees. Community foundations, in particular, are known for having deep knowledge of the communities where they are located and can share valuable information and ideas on effective and highly performing organizations (something donors may not have access to otherwise).

Networking and leadership opportunities. Some sponsor organizations encourage donors to partner with other donor advisors, those with different kinds of funds, and even with private foundations. They hold events where donors can network and learn from one another and encourage donors to take a leadership role in the community—sharing their work, and inspiring other potential donors to give. Some sponsors launch and support funder collaboratives, focusing on particular issues and enabling groups of donors to contribute from their DAFs. Many sponsors host one or more giving circles allowing donors to pool resources while learning about and supporting the needs of nonprofits in their communities.

Co-investment opportunities. Some sponsors will take a deep dive into particular issues to which they will make significant investments. They will invite donors to join them on the learning journey and provide opportunities for donors to co-invest in organizations selected by the sponsor. They may invite donors to support organizations that they plan to support in their competitive grants process. Donors may be invited to participate in grantmaking committees, giving them the opportunity to read and evaluate proposals, and visit nonprofit organizations.

Legacy and succession. Some sponsors have staff members who will, over time, become trusted advisors to donors. Staff might help the donor and family think about the legacy they wish to leave, discuss the donor's personal values and the family's shared values, identify family members who will become successor advisors, and/or develop legacy statements or letters of intent for donors seeking to articulate or clarify their values and legacy. They may also facilitate family conversations and help donors establish specific planned gifts.

Impact investing. Increasingly, DAF sponsors are providing donors with the opportunity to do more than grantmaking with their funds. Through impact investing, donors can have an immediate social impact while generating financial returns. At several community foundations, donors contribute funds from their DAFs to establish funds that make loans to the regions' nonprofits and mission-oriented for-profit companies.

What are sponsor organizations?

Broadly, sponsor organizations fall into three types: community foundations, single-issue nonprofits, and national nonprofits (which include both commercial gift funds and non-commercial organizations).

It's important to note that there can be big differences both among sponsor types and the individual organizations that fall under those types. Some of these differences are by law and some are by policy. Always ask about the services, fees, and restrictions of your chosen sponsor organization before opening a fund.

Here's a description of each of the three main sponsor organization types:

Community Foundations

Community foundations are independent, non-commercial organizations created by and for the people in a local area. They allow donors with a wide range of interests and means to support the issues they care about, creating long-term assets to help and sustain people and places within a certain geographic area.

There are more than 900 community foundations throughout the United States, with at least one in each state.⁶ Community foundations vary in terms of asset size, capacity, geographic reach, and options for DAFs. They also offer donors other types of funds in addition to DAFs, including field-of-interest funds, designated funds, and scholarships, to name a few.

WHY DONORS LIKE THEM: Because community foundations are deeply rooted in place, they can be a good choice for families who have personal ties to a certain town, city, or region, or those who wish to give where they live. Community foundations have deep knowledge of community needs and organizations successfully addressing those needs. They have the ability to vet local nonprofit organizations, and they freely share their local knowledge, expertise, and connections with donors.

⁶ [Council on Foundations](#), 2026.

WHAT TO KNOW: Investment fees and fund minimums on DAFs will vary widely across community foundations, as will the ability to accept complex assets. Most community foundations have full online functionality—making it easy for donors to go online and manage their DAF.

Single-Issue Nonprofits

Single-issue nonprofits are tax-exempt organizations that work in a specific topic area. These nonprofits create DAF programs to mobilize their members around a certain identity, faith, or cause. The most common include universities and hospitals, faith-based nonprofits (e.g., Jewish federations, Catholic community foundations), Rotary foundations, and issue-specific nonprofits, such as those focused on the environment, health, social justice, or international relief. Other DAFs focus on giving to certain groups of people, such as people of color, women and girls, LGBTQ people, etc.

WHY DONORS LIKE THEM: Single-issue nonprofits connect donors with a community of people of like-minded interests or identity. Donors use them because they care about the organization's mission, and they see the DAF as a way to give to their passion within an organization they already trust.

Some local or regional single-issue nonprofits (such as the Jewish federations or United Ways) can provide expertise on local nonprofits and may have advantages of connecting DAF grants to other giving by the donor or family.

Additionally, some of these single-issue nonprofits help a donor achieve a more specific goal, such as international giving (e.g., CAF America, Global Greengrants) or impact investing (e.g., RSF Social Finance, ImpactAssets).

WHAT TO KNOW: DAFs at single-issue nonprofits vary as widely as their missions. The focus can be broad or narrow, serving large communities through many programs or supporting a single issue or place through targeted programs.

National Nonprofits

National nonprofits are tax-exempt organizations with a focus on fundraising and grantmaking nationally. The main distinction between national nonprofits from other sponsor types is that national nonprofits exist for the sole purpose of providing DAFs—whereas other sponsors offer DAFs as a complement to their existing mission or work. There are two different kinds of national nonprofits. Some are tied to financial institutions, and others are not.

Commercial gift funds, which include charitable organizations affiliated with proprietary financial institutions, such as DAFgiving360 (Charles Schwab), Fidelity Charitable (Fidelity), GS DAF (Goldman Sachs), Vanguard Charitable (Vanguard).

Independent noncommercial organizations—such as the American Endowment Foundation, National Philanthropic Trust, United Charitable—and national faith-based organizations, such as the National Christian Foundation or the Jewish National Fund.

Some national nonprofits are tied to financial institutions, while others are independent, non-commercial organizations.

WHY DONORS LIKE THEM: National nonprofits are not tied to one place or issue, meaning donors can open a DAF and give to any charitable organization locally, nationally, or in some cases internationally. Commercial gift funds, in particular, tend to offer more sophisticated investment options and technology platforms than other types of sponsors—offering a convenient point-and-click platform for grantmaking and investing. Typically, they have lower fees than other sponsor organizations do. To some donors, saving on administrative fees means they have more money to give to nonprofits.

WHAT TO KNOW: National nonprofits offer DAFs that vary widely in terms of their features and benefits, and provide a range of investment alternatives, minimum fund sizes, and disbursement policies. Your financial advisor or wealth manager may only have access to certain DAF sponsors or be compensated differently by different sponsors. Check carefully with individual institutions to compare. Generally, commercial gift funds may offer personalized grantmaking services to higher-dollar donors; however, most are limited in their local issue area expertise and have fewer donor networking opportunities.

What are the main benefits of donor-advised funds?

As previously mentioned, donors and families choose DAFs for a number of reasons. Here are some that are most commonly cited:

DAFs allow donors to achieve a variety of specific philanthropic goals

Maintain privacy: With DAFs, the sponsor distributes grants to nonprofits and isn't required to disclose donors and the source of the funds, which means donors have the option to make anonymous grants. Some give anonymously because they may view anonymous giving as the highest form of altruism. Others may wish to give anonymously to causes or organizations that others might view as controversial or because they are experimenting with a new approach or issue area. Whatever the reason, DAFs are one option for donors looking for privacy.

Give outside of foundation's mission or place: Some family foundation members may wish to give beyond the scope of the foundation's mission, to an issue outside the funding areas, or to another geographic region. For example, if a family foundation is based in and primarily makes grants to charities in one city, but has board members living in other locations, those family members may wish to establish separate DAFs in community foundations near where they live to gain access to local expertise and networks. Others may simply want to establish a DAF at a national organization and make grants from it to charities outside the foundation's core mission. [NCFP research](#) indicates that families with long-term goals of generational continuity in their philanthropy can create DAFs for individual family members to give outside of the scope of the family foundation's mission, which can help balance competing interests inherent in collective giving.

Facilitate international giving: Depending on the sponsoring organization, families may use DAFs to facilitate grantmaking to international-based nonprofits. Some sponsors are able to conduct the [equivalency determination](#) required to international grantmaking, and some use intermediary organizations, such as Myriad USA or Give2Asia, to do so. Note

that making international grants may come with additional fees. Most sponsors are able to process grants to US nonprofits with IRS 501(c)(3) designation doing international work, using the same vetting process as they would for local organizations.

DAFs are easy to establish, and easy to manage

Lower, more flexible entry point: Depending on the fund and sponsor organization, DAFs have a lower entry point than starting a private foundation. Some sponsors have no minimum required to open a fund. Moreover, DAFs accept all kinds of assets—cash, stock, mutual funds, real estate, sometimes even more complex assets like cryptocurrency or rare antiques—making them a more flexible vehicle for giving.

Lower costs and easy administration: Compared to the expenses and administrative upkeep of private foundations, DAFs cost less. That said, sponsor organizations charge a wide range of fees. Typically, fund holders can expect to pay anywhere from 0.6 to 3 percent in administrative and investment fees.

High level of convenience: Typically, donors can go online to their DAF portal, click or enter an organization and an amount they wish to grant, and—pending approval from the sponsor organization—it's done. Each year, the sponsor sends the donor a report listing all of the fund's grants. This enables donors to support multiple organizations over time, without having to track each separate donation themselves. Many sponsors also provide reports of grants made in specific areas of interest, or schedule individual meetings to sit with donors and analyze their giving and discuss whether the grantmaking is aligned with their passions and/or philanthropic goals.

Give when you want: DAFs are also highly flexible on timing. Rather than rushing at the end of the tax year to make donations or meet a private foundation payout requirement, fund holders can patiently spread out their giving, making impact over time. Additionally, donors can support multiple organizations over time with one donation.

DAFs have many tax benefits, both in the present and future

Take an immediate deduction: Donors receive an immediate tax-write off and maximum tax benefit for the amount they contribute to a DAF. Each year, donors can contribute to the fund and have the ability to grow tax-free assets over time.

Avoid capital gains and estate taxes: When donating appreciated assets (such as securities), donors incur no capital gains tax on gifts—tax they would have had to pay if they sold the assets. Additionally, donors are not subject to estate taxes.

DAFs provide access to expertise, knowledge, and networks

Experts on call: Many sponsor organizations, especially community foundations, have deep knowledge of the issues and organizations in the communities in which they are located. They also have experts on local needs, issue areas, and strategic opportunities. When donors start a DAF at some sponsor organizations, they join a community of donors—gaining access to staff expertise and support they otherwise wouldn't have, along with the opportunity to network with others, which can inform grant decisions.

Connect with your peers: Some sponsor organizations also offer a variety of donor networking and education events. As one donor says, “If I want to give to a school or local art project, I can call my sponsor organization and they will suggest ideas. I can also learn from other donor advisors about what they are funding, and, if we share interests, we might support the same projects for a bigger impact.”

DAFs can honor the family, both past and future

Family legacy: Some donors name a DAF for a loved one, living or deceased, and may give to organizations in honor or memory of that person. Others establish funds to express their personal or family values through giving—and pass on those funds to connect their children to the family, to the community, and to a legacy.

Family unity: Some donors establish DAFs for the purpose of bringing family closer together. The act of meeting, talking about values, interests and passions, grantmaking, site visits, and shared service can all lead to strengthened family relationships.

Introduce the next generation to philanthropy: Families find that DAFs are one way to teach their children or grandchildren about philanthropy and prepare them to manage family wealth in the future. Some donors establish separate funds for each of their children. Others include family members of all ages, involving them in the decisions about which grants to recommend, and perhaps encouraging them to make grants together. This can instill shared values and decision-making skills in the next generation and has the benefit of bringing family members closer together.

Some sponsor organizations allow donors to advise on how to disburse grants for only one or two generations before the DAF becomes part of the general endowment of the sponsor organization. Others permit donors to appoint successors, allowing the DAF to exist in perpetuity. Be sure to carefully read the fund agreement of any DAF to be clear on what the sponsor organization allows.

What are the limitations and restrictions of donor-advised funds?



Each sponsor organization will have its own set of rules and restrictions on the DAFs they offer—so be sure to read the fine print on fund agreements. However, in general, here's what you need to know:

Donors give up control

Assets, once gifted, belong to the sponsor organization. As with any charitable gift, donors no longer own the gifted assets or retain any legal control over them. Donors do have advisory privileges to grant assets in their DAF, but the sponsor has the final authority on grant approvals.

DAFs are irrevocable. If a donor establishes a DAF, they cannot regain, recoup, or otherwise take back the assets that were placed in the DAF. However, the donor may be able to grant the funds to a DAF at another sponsor. Also, while private foundation funds can be converted to a DAF (by transferring the private foundation's assets to a DAF and then terminating the private foundation), DAFs generally do not make distributions to a private foundation or voluntarily convert to a private foundation.

Rules on grantmaking

Donors must recommend grants to nonprofits solely for charitable purpose or to houses of worship and educational institutions.

Grants must go to a public charity that is recognized by the IRS with a 501(c)(3) designation. Grants to individuals are not allowed. Although grants to private foundations are permitted under the rules, most sponsors do not permit such distributions. In addition, grants to non-501(c)(3) grantees are permitted with additional due diligence requirements and usually only sponsors that specialize in international grants will permit such distributions.

Donors may fund scholarships with a DAF, however, in most cases, donors cannot give direct individual scholarships or recommend that grants pay tuition to private schools or colleges. DAF funds may be used to create a separate scholarship fund if a donor wishes to create a scholarship program for a specific type of student. For example, to fund “first-generation college students from Birmingham, Alabama.” DAF donors may serve on a scholarship committee; however, they and their relatives cannot comprise 50 percent or more of the committee that makes the decisions.

Donors may not receive personal benefit (including goods and services) from grants. For example, donors cannot recommend a grant to an organization’s gala event and then receive tickets to attend. Those tickets are a benefit, and therefore, are against the rules. Donors also cannot recommend grants from DAFs for membership fees.⁷

Donors may not use DAF funds to fulfill a personal pledge. Generally, payments from a DAF cannot be used to satisfy a legally binding pledge (a promise to make a gift to a charity).⁸ The Chicago Community Trust offers [this overview](#) about how it treats pledges as of 2025.

Some sponsors place additional rules on grantmaking, such as a minimum grant amount, based on the size of the fund. DAFs currently have no annual distribution requirement. In recent years, DAFs have come under [scrutiny](#) with some arguing that donors are “warehousing” tax-exempt dollars or merely moving them from one DAF to another. To ensure capital is flowing to grantees, some sponsors require donors to use their fund at least once a year or once in a three-year period, for example.

Varying rules on perpetuity

Many sponsors place limits on the number of successor generations to the DAF. For example, a DAF may only last the duration of the donor’s lifetime or may be passed on once to the next generation before the assets become part of the general endowment of the sponsor organization—meaning, the donor’s successors will no longer have advisory privileges. Other DAFs may last longer, even in perpetuity, if donors set it up that way. It’s important to get clear on what the sponsor organization offers and restricts.

⁷ IRS [Notice 2017-73](#), released in December 2017, proposed new regulations for DAF grants that may affect this rule. The IRS proposed additional regulations ([REG-142338-07](#)) in November 2023. As of the release of this guide, the regulations had not been finalized. If you have questions, please consult with your DAF sponsor.

⁸ Many sponsors prohibit using a distribution from a DAF to fulfill a legally binding personal pledge. However, under IRS [Notice 2017-73](#), released in December 2017, a donor may use a DAF to fulfill a legally binding personal pledge if certain specific requirements are satisfied. Note that the IRS may publish further regulations for donor-advised funds that may change these rules. For example, the IRS proposed additional regulations ([REG-142338-07](#)) in November 2023, but they have not been finalized. If you have questions, please consult with your DAF sponsor.

What questions should donors ask before opening a donor-advised fund?

Questions to ask themselves

Before opening a DAF, families should reflect on and talk about their values and goals for their philanthropy—individually and as a family—and their specific needs for what the vehicle should deliver.

Here is a list of questions, developed in partnership with Tony Macklin, to start a dialogue among family members, perhaps with the assistance of a philanthropic advisor associated with the DAF sponsor of your choice:

History of Giving

- What vehicles have we used for our charitable giving?
- At what times throughout the year have we typically given, and why?
- What motivates our giving? What issues do we care about or find concerning?
- What have we given to in the past?
- Do we have a close connection to a particular location or community?

Goals for Giving

- What's the change we would like to see in our community or chosen cause?
- What specific goals do we wish to achieve with our philanthropy?

Family Involvement

- What values or legacy do we wish to impart to our children and grandchildren?
- How do we wish to involve our children and/or grandchildren in philanthropy?
- How will we encourage their participation and make sure they feel their voices are heard?

Vehicles for Giving

- What philanthropy vehicles have we explored, and how?
- What do we understand are the benefits of DAFs over other vehicles?
- What are our biggest concerns when it comes to choosing a vehicle (i.e., a more formalized structure for our philanthropy)?
- How much time do we have or want to dedicate to our philanthropy?
- What do we value most in terms of our philanthropy or philanthropic vehicle?

Examples include:

- Deep long-term engagement of the family
- Perpetuity of the philanthropic vehicle
- Working together to develop a shared philanthropic strategy and make grants decisions that reflect that strategy
- To train the next generation about wealth and philanthropy
- Ease and convenience
- Flexibility in terms of payout and assets donated
- Ultimate control of the assets
- Anonymity versus openness
- Low administrative costs
- To be able to access and manage grants online
- Access to grantmaking support and local expertise
- To meet a specific goal (community-centric giving, international giving, or giving in another geographic area)
- To network and/or partner with other donors or funders

Succession

- What will happen to our philanthropic vehicle when I/we pass away?
- How many generations do we wish the philanthropic vehicle to last, and why?

- What do we imagine for the future of the family's philanthropy?
- What guidelines, letters of philanthropic intent, and/or legacy videos will we leave for future generations?

Questions to ask advisors

Before opening a DAF, donor families should talk with their trusted professional advisors about the benefits and tax implications. Professional advisors might include the family's CPA or attorney, financial or estate-planning advisors, heads of family offices, or professional philanthropic advisors.

Donors can work together with their professional advisors to narrow down options for a sponsoring organization. Note that few advisors know the full range of DAF sponsors available and many have preferred sponsors based on how they're compensated (or not) for managing the financial assets within the DAF.

Some donors give their professional advisor transactional access to their DAF to recommend grants and make donations on their behalf. Additionally, some sponsor organizations work exclusively with professional advisors (for donors who wish to outsource giving to their advisor).

Here are some of the most important questions to ask your advisor:

- What is the benefit to establishing a DAF?
- Do you receive any sort of fee or commission through the establishment of a fund at the sponsor organizations you recommend? Are there other financial incentives for using/recommending a particular DAF sponsor? If so, what are these incentives?
- What are the tax consequences, compared to establishing a family foundation?
- What are the tax consequences, compared to writing checks directly to nonprofits?
- Are there DAF sponsors that your (i.e., the advisor's) employer prevents you from recommending?
- How does a DAF fit within my family's overall financial and estate plan?
- What types of investments and funds are available to me in the DAF you

recommend? Which are not available? (e.g., some won't allow certain alternative investments, some only have in-house products, some won't allow socially responsible investments or PRIs)

- When is the best time for me to start a DAF?
- What type of assets can I contribute to the DAF?
- How much should I contribute to the DAF? How much should I give each year?
- Which sponsor organizations do you already work with, and why?
- Will you be able to manage the investment of the funds held by the sponsor organization?

Questions to ask potential sponsor organizations

Before opening a DAF, donors need to be clear on the services, fees, and restrictions of a fund, as they vary widely among sponsor organizations. Here is a set of questions, developed in partnership with Tony Macklin, to help guide this conversation:

Start-Up and Administrative

- What type(s) of DAFs are available? Do you have written descriptions of each?
- What is the minimum amount required to establish a DAF?
- Is there a minimum amount at which I must maintain the fund?
- What types of assets can I donate beyond cash or stocks? Are there fees or restrictions for donating those assets? Do you have written guidelines for this?
- What type of online and mobile access do I have for monitoring gifts, grants, and investments? Can family members access the account?
- Can other people donate to my fund? If so, how?
- What happens if I want to close my DAF?
- What happens to the assets if the fund reverts to the sponsor organization?

Investing

- What are the investment and administrative fees for this fund?
- What are my investment options?
- Can I keep my existing investment manager? What fees and conditions are involved?
- If we want to align our investments with our values, what options do you have for socially responsible investing or environmental, social, governance (ESG)-screened investments (i.e., a set of standards that socially conscious investors use to screen potential investments)?
- What support do you offer for program-related investments—loans, equity, other forms of debt?
- What support or expertise do you offer in the area of impact investments?

Basic Grantmaking

- What information and support do you offer regarding issues and nonprofits?
- What information is available to me as a donor?
- What levels of due diligence do you perform on nonprofits you recommend for funding? Is there a required distribution from the fund each year?
- What is the minimum grant amount that can be recommended?
- Are there limits on the types of grants I can recommend (geography, purposes, grant type, etc.)?
- Is there a mandatory percentage of annual grants that must go to the sponsor organization to support its mission?
- How do you handle international grantmaking? What about organizations that don't have a charitable status in the United States?
- Do you allow scholarships, and what are the restrictions if so?
- How long does it take to get grant checks to nonprofits once I recommend a grant?

Family Involvement

- Are there limits on the number or age of fund holders?
- Are there limits as to the number or type of successor advisors?
- What happens if I, the fund holder, die or become incapacitated?
- Can I establish funds for members of my family?
- Can I give family members access to my fund for grant making?
- How can I use my fund to leave a legacy?
- What are your rules regarding succession?
- What educational tools or programs do you have to help my family learn about generosity and philanthropy, or specific issues in the community? Do these cost extra?
- How might you support my family in developing a shared values, vision, mission, and/or legacy statement?
- How might you support family meetings, virtual or in-person?
- How might you support us to better understand issues, geographies, or grantmaking strategies?
- Can the fund agreement be amended in the future, if I choose, to extend it beyond first and second generation?

Philanthropic Services

- Beyond checking for tax-deductible status, what help do you provide to ensure grantees are legitimate and high-performing organizations?
- What reporting can we obtain from grantees? What if we want more in-depth reporting or analysis?
- What support could you provide if we want to customize a gift agreement (for example, for naming rights to a building or to restrict the purpose of an endowment)?
- What is the best way to communicate with your staff members? Can I meet with someone in person if I need advice or have questions?
- How can I meet other donors in your network?
- In what ways do you encourage donors to elevate their leadership?

About NCFP

The National Center for Family Philanthropy is a network of philanthropic families committed to a world that is vibrant, equitable, and resilient. We share proven practices, work through common challenges, and learn together to strengthen our ability to effect meaningful change. As a trusted partner to philanthropic families, we understand the complexities and opportunities of giving together, and we equip families to effectively navigate the changing world. We support family philanthropy decision-makers by offering signature programs and events, peer-based learning opportunities, tools and resources, community, and personalized support. Learn more at www.ncfp.org.

About the Authors

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