



NATIONAL CENTER FOR
FAMILY PHILANTHROPY

Family Giving Online Knowledge Center Options for Family Philanthropy: Descriptions and Forms

TITLE: Options for Succession and Termination of a Donor-Advised Fund

SOURCE: *Family Philanthropy and Donor-Advised Funds*

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OPTIONS FOR SUCCESSION AND TERMINATION OF A DONOR-ADVISED FUND

Rules for successor advisors are currently unclear, and in fact are currently under consideration by the IRS. It seems clear that a donor alive today can appoint his or her next generation (second generation) of advisors and possibly the generation (third generation) after that, especially if the third generation is already alive. In consequence, policies of host organizations vary considerably – some are more agreeable to successive advisors than are others.

Some host organizations are reluctant to adopt policies friendly to multigenerational advisors. Still, many host organizations are working with donors on the matter of successor advisors. Various approaches include allowing donors to:

- Appoint other advisors who can themselves choose successor advisors; and
- Stipulate that the fund is spent out, granted to a specific charity, or granted to the entity that held the fund during their lifetimes.

Many host organizations require that, upon termination after the second (or third) generation passes, the fund revert to the general unrestricted charitable fund of the host organization. Some host organizations, such as banks and other trust managers, try to distribute proceeds in the general area of interest to the donor. Others simply absorb the principal from the advised fund into their general charitable fund.

Establishing separate advised funds for members of the succeeding generation is another option frequently chosen by donors who wish for their families to remain involved in philanthropy after their death.