

## **Dafland**

DD = Determined Development volunteer

RC = Reluctant Camper

WW = Wizend Wiseperson

DD: Donate now and we'll help other people learn your esoteric music!

RC: That's wonderful. But it's such a hassle to write a check, address the envelope, buy a stamp, etc. I think I'll pass for now. But thanks for asking.

DD: We take credit cards. You can do it online.

RC: I know using a card is easy, but I might forget about donations made with a card by tax time. Besides, you'll dun me for the processing fee. There are just too many negatives here!

DD: If you really loved us you would take the trouble to give us money.

RC: I'm so tired of being asked for money by excellent causes. Please stop bothering me.

(Wizened Wiseperson appears)

WW: Once upon a time, in a kingdom called Dafland, there were many talented musicians, dancers, and loyal supporters. People frequently gave to their favorite causes with just a few clicks online, and the Department of DAF took care of everything, including mailing the checks.

Every year (or few years), each citizen wrote a *single check* to the Department of DAF for the total amount they planned to donate, no matter how many different recipients would get the money. The Department held the money until the citizen told them to make donations. Meanwhile the money was invested.

The finance geeks in Dafland rejoiced when they realized that earnings while invested within the Department compounded tax-free, just like in an Individual Retirement Account.

Privacy nerds and people suffering from "friendly spam", were gladdened that they could make *anonymous* donations; the Department of DAF would simply omit their names from the checks and accompanying letters that the Department sent out.

Everyone was happy except for a few bureaucrats who, truth be told, would really have preferred donation-making to be more difficult.

RC: Boy, I wish we had something like that here in Capitalist America!

WW: Well, we do! It's called a Donor Advised Fund, or DAF. A Donor Advised Fund is itself a charity which accepts donations and then doles the money out to other charities upon request from the donor.

DAFs promise to use the money they get only for down-stream donations when requested by the donor, for as long as the donor lives. When the donor dies, money remaining in the account is donated to charities pre-selected by the donor.

DD: Could someone donate to our charitable organization via a DAF?

WW: Of course. Donations can go to any US charity, including churches and qualified 501(c)(3)s.

RC: What fees do Donor Advised Funds charge? It seems like they do a lot.

WW: Fees are typically less than 1% per year. For example, the last time I checked Schwab charged 0.6% of the account value each year.

RC: But I want to donate appreciated stock...

WW: You can donate stock to a DAF, and doing so is a big relief for smaller charities who may not be able to handle stock donations themselves. When you donate stock to a DAF, the DAF sells it and uses the resulting cash to fulfill requests for down-stream donations.

DD: *THAT* would be a big relief for us. It's a hassle when people want to give us stock; sometimes we have to find a volunteer with special skills to deal with it. We would much rather receive only cash donations.

RC: I often donate to the same organizations each year, and it's tedious to write all those checks every December. Can a DAF help with that?

WW: Yes, DAFs let you to set up recurring donations which repeat as many times as you say.

RC: Why do they call it a donor "ADVISED" fund if I control who the money goes to?

WW: Because technically the Fund owns the money as soon as you give it to the Fund. That's why you get an immediate tax deduction for the whole amount right away. You can only "advise" the Fund what to do with the money afterwards, although DAFs promise to always follow those advices unless something makes that impossible or illegal (for example, if the specified recipient ceased operations or is not a bona fide charity).

Speaking of which, getting the tax deduction up front can really help shelter the income from converting an IRA to a ROTH...

RC [interrupting]:

Stop! That ROTH-conversion stuff is beyond me; I'll ask you later if I get into that. Right now I just want to make ordinary donations quick and easy. Where can I open a Donor Advised Fund account?

WW: Stock brokers like Schwab and Fidelity, large banks, and many others offer DAFs. Just google "Who offers Donor Advised Funds?".

DD: What are you waiting for?

THE END