MARINER

# Establish a donor-advised fund

## A flexible approach to charitable giving and tax-efficient planning

You may be looking for ways to make a meaningful charitable impact while keeping your broader financial plan in mind. A donor-advised fund (DAF) offers you and your family a flexible way to support the causes you care about and may provide tax benefits for your charitable giving.

### How they work

Getting started with a donor-advised fund is generally straightforward. You complete an application and make an initial contribution to establish the fund. Unlike a private foundation, a DAF typically does not require separate legal formation, tax filings or ongoing administrative responsibilities because those services are provided by the sponsoring organization.

A tax-exempt sponsoring charity, also known as a fund sponsor, owns and administers the DAF. The sponsor manages the fund's administrative requirements and investment options. Fees may apply for these services. After contributing assets to the DAF, you can recommend grants to qualified charitable organizations that you and your family wish to support, subject to the sponsoring organization's policies.

### Tax advantages

A DAF offers several tax advantages, including an upfront tax deduction on contributions, even if you wait until later to give a grant to your charity of choice. It can help maximize charitable deductions by allowing donors to bunch contributions into a single tax year. Grants can then be distributed over time.

**Among the tax benefits:**

- Assets contributed to the DAF may be invested. Any investment growth is generally tax-free while held in the account.
- If you itemize your taxes, you can receive a tax deduction in the same year on donations of "non-cash," or long-term appreciated assets (e.g., publicly traded securities and certain real estate), in the amount of the fair-market value, up to 30% of your adjusted gross income.[1]

- If you itemize your taxes, you can receive a tax deduction in the same year you make a cash donation, up to 60% of your adjusted gross income.[1]
- When you contribute long-term appreciated securities, you generally avoid recognizing the embedded capital gain and receive a charitable deduction for the securities' fair market value, subject to applicable limitations.
- Unused charitable deductions that exceed the applicable AGI limitations generally may be carried forward for up to five additional tax years.

## Other planning considerations

Charitable deduction rules may affect the tax benefits of different giving strategies. Taxpayers who itemize deductions may generally deduct charitable contributions subject to applicable limitations, including a threshold that reduces the amount of charitable contributions eligible for deduction. Taxpayers who do not itemize deductions may be eligible for a limited above-the-line deduction for certain cash contributions made directly to qualifying charities. Contributions to a donor-advised fund are not eligible for this non-itemizer deduction.

Because the tax benefits of charitable giving depend on factors such as income level, filing status, whether you itemize deductions, and the type of asset donated, thoughtful planning can help determine the most effective approach.

## "Bunching strategy"

Because many taxpayers now claim the standard deduction, their annual charitable contributions may not provide an additional income tax benefit.  A donor-advised fund can help increase tax efficiency of charitable giving through a strategy known as "bunching."

When you use a "bunching" approach with a DAF, you can donate multiple years to the fund at one time, which helps increase the likelihood you'll be able to deduct the contributions.

**Here's how it works:**

- **Year 1:** Contribute multiple years of planned charitable giving to a donor-advised fund in one tax year, allowing your itemized deductions to exceed the standard deduction.
- **Year 2:** Return to claiming the standard deduction in years when charitable contributions are not bunched.
- **Year 3:** Repeat the strategy every few years, depending on your charitable goals, income and tax situation.

After making these donations, you can choose which charities receive distributions from the DAF and when they receive them.

## Creating a family tradition

Together, you and your family can choose charities you believe in to receive a grant from the fund. By getting everyone involved in the decision, you can start a tradition of giving that could continue for generations to come.

## Types of assets you can contribute

You may be able to contribute a variety of assets to a donor-advised fund, depending on the policies of the sponsoring organization and the type of asset. Eligible assets may include:[2]

- Cash
- Cash equivalents
- Publicly traded securities
- Mutual fund shares
- Certain restricted, controlled or lock-up stock
- Cryptocurrency (such as Bitcoin and other digital assets)
- Private equity and hedge fund interests
- Real estate
- Life insurance policies (subject to the sponsoring organization's requirements)
- Certain privately held business interests, including C-corporation and S-corporation shares
- Closely held and family business interests

## DAF versus a private foundation

A DAF can provide a less costly alternative for families to establish generational giving compared to a foundation, which can involve startup costs and time to set up, plus legal and other fees.

## Distributions

Keep in mind that donor-advised fund assets must be used for qualified charitable purposes. Distributions to individuals or non-qualified entities may result in adverse tax consequences and other penalties. Consult with your advisor if you have questions about eligible charitable distributions or grant recommendations.

## Estate planning

You can incorporate a donor-advised fund into your estate planning strategy by naming the DAF as a beneficiary of certain assets, including retirement accounts, life insurance policies, wills and trusts. Upon your death, assets directed to the DAF can support charitable organizations according to the charitable intentions outlined in the fund agreement and any successor recommendations you establish.

A DAF can also help involve future generations in philanthropy. You can name successor advisors who may continue recommending charitable grants after your lifetime, subject to the sponsoring organization's policies.

## Work with your advisor

As you evaluate your overall financial plan with your advisor, consider whether establishing a donor-advised fund aligns with your charitable goals and broader financial strategy. A DAF can streamline charitable giving by having the fund sponsor manage administrative responsibilities. It may also provide tax benefits and help you create a lasting philanthropic legacy. Discuss with your advisor how a thoughtful charitable giving strategy, including the potential use of a DAF, may fit within your broader wealth management plan.

For more information visit: **mariner.com**

1 "Giving Vehicle Comparison" nptrust.org

2 "What is a donor-advised Fund?" Fidelity Charitable

Information regarding donor-advised funds ("DAFs") and charitable giving strategies is provided for educational purposes only and is not intended as individualized financial, legal, or tax advice. The tax treatment and deductibility of charitable contributions depend on various factors, including the type of asset contributed, the recipient organization, applicable income limitations, and the donor's individual tax situation. DAFs are subject to the sponsoring organization's policies and applicable tax rules. Contributions to a DAF are irrevocable, and the sponsoring organization has legal control over contributed assets. Donors generally retain advisory privileges regarding the distribution and investment of DAF assets, subject to the sponsoring organization's policies. Individuals should consult qualified financial, tax, and legal professionals regarding their specific circumstances. Mariner does not provide legal advice.

The information provided is believed to be reliable, but Mariner does not guarantee its accuracy, timeliness, or completeness. Any opinions expressed are subject to change without notice.

Assets held in a DAF may be invested and are subject to investment risk, including the potential for loss.

Mariner is the marketing name for the financial services businesses of Mariner Wealth Advisors, LLC and its subsidiaries. Investment advisory services are provided through the brands Mariner Wealth, Mariner Independent, Mariner Institutional, Mariner Ultra, and Mariner Workplace, each of which is a business name of the registered investment advisory entities of Mariner. For additional information about each registered investment advisory entity, including fees and services, please contact Mariner or refer to the applicable Form ADV Part 2A available on the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov). Registration of an investment adviser does not imply a certain level of skill or training.