



# DONOR ADVISED FUND (DAF) SUMMARY

## TAX STRATEGY



### What is a Donor Advised Fund?

A charitable giving vehicle allowing donors to make contributions, receive immediate tax deductions, and recommend grants over time.

### How It Works

#### Establishment:

Donor (e.g., Grace) contributes assets to a DAF managed by a sponsoring organization.

#### Immediate Tax Deduction:

Donor receives a tax deduction for the contribution.

#### Investment:

Assets grow tax-free within the DAF.

#### Grant Recommendations:

Donor recommends grants to charities.

#### Distribution:

Sponsoring organization approves and distributes funds to charities.



### Advantages

#### Immediate Tax Benefits:

Tax deduction at the time of contribution.

#### Simplicity and Convenience:

Administrative tasks handled by the DAF.

#### Flexibility:

Time to decide on charitable grants.

#### Tax-Free Growth:

Investments grow without tax.

#### Legacy Planning:

Involve family in philanthropy.



### Considerations



#### Irrevocability

Contributions cannot be reclaimed.



#### Control

Final grant approval by the sponsoring organization.



#### Fees

Administrative and investment fees apply.



#### Compliance

Must follow IRS rules for grants.

### Example: Grace's DAF

**Contribution:** Grace donates \$100,000 in appreciated stock.

**Immediate Tax Deduction:** Receives deduction for fair market value.

**Investment:** Stock sold, proceeds invested tax-free.

**Grant Recommendations:** Recommends grants to various charities.

**Distribution:** Sponsoring organization approves and distributes funds.



### Outcome

Grace supports multiple causes, receives tax benefits, and fosters a family legacy of giving.



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