FOR CHARITIES

How charities can benefit from donor-advised funds

Donor-advised funds are growing in popularity and are fast becoming critical fundraising vehicles for public charities.

Here are five ways donor-advised funds benefit nonprofits:

1. Donors with Schwab Charitable donor-advised fund accounts give more

Over two thirds of Schwab Charitable donors say they give more than they otherwise would because of their Schwab Charitable account.*

2. Donors with donor-advised fund accounts can give more consistently

Since the assets have already been set aside for charitable giving, donor-advised fund account holders can give at any time, including in emergencies such as natural disasters. Donors also have the flexibility to schedule recurring grants from their accounts as a means of providing sustainable, on-going giving.

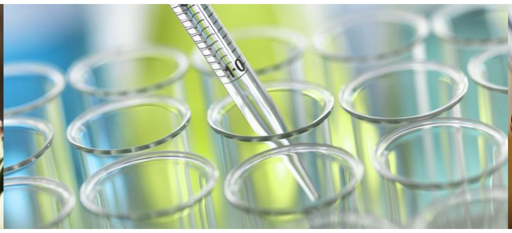
3. Donor-advised funds help nonprofits accept non-cash assets

Many donor-advised funds, including Schwab Charitable, accept contributions of appreciated non-cash assets such as publicly-traded securities, real estate, privately held stock or private business interests. Non-cash assets are typically a tax-smart charitable gift option for donors. If a donor contributes appreciated non-cash assets held for more than one year directly to charities, including donor-advised funds, they can generally eliminate the capital gains tax they would have otherwise incurred if they sold the assets first and donated the proceeds, potentially increasing the

continued on next page

A 2020 study conducted by the Lilly Family School of Philanthropy found that many nonprofit organizations saw **larger gift sizes**, the **ability to reach wealthy donors**, and **receiving unsolicited gifts** as encouraging factors of donor-advised funds.†

* Schwab Charitable Donor Survey, January 2021.


amount available for charity by up to 20%. Some nonprofits may not have the capacity to accept these types of donations efficiently and the process can be challenging and costly. Donor-advised funds, which are 501(c)(3) public charities, typically have the resources and expertise to evaluate, receive, process, and liquidate the assets. Once the assets are liquidated and the proceeds are placed into the donor's account, donors can recommend grants to their charities of choice.

4. Many donor-advised funds do not charge transaction fees, so the full grant value goes to the nonprofit.

5. All contributions to donor-advised fund accounts are irrevocable and must be distributed to nonprofits.

A contribution to a donor-advised fund is an irrevocable commitment to charitable giving. Any funds contributed cannot be returned to the donor or any other individual or used for any purpose other than for supporting 501(c)(3) nonprofit organizations.

Many of the Lilly Family School survey respondents indicated that larger gifts were a benefit of donor-advised funds, and the value of donor-advised fund gifts was well articulated by a large national health organization in their interview:†

"I believe [donor-advised funds] brought in more revenue…my observation is people are being more generous. In some ways, we have a lot of anecdotal evidence to that effect, but we also saw a huge uptick in the last fiscal year in terms of individual giving, and could trace that directly to seeing a lot more donor-advised fund gifts coming in."

— Nonprofit

To learn more, visit schwabcharitable.org/charities

Call Schwab Charitable at 800-746-6216

† Nonprofits and Donor-Advised Funds: Perceptions and Potential Impacts, October 7, 2020, Researched and written by Indiana University Lilly Family School of Philanthropy with support from Schwab Charitable.

Schwab Charitable™ is the name used for the combined programs and services of Schwab Charitable Fund™, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain subsidiaries of The Charles Schwab Corporation.

Schwab Charitable Fund™ is recognized as a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code. Contributions made to Schwab Charitable Fund are considered an irrevocable gift and are not refundable. Please be aware that Schwab Charitable has exclusive legal control over the assets contributed. This information is not provided to the IRS.

Schwab Charitable accepts illiquid assets for contribution on a case by case basis.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate. Schwab Charitable recommends consultation with a qualified tax advisor or CPA.