THE ORANGE CATHOLIC FOUNDATION 25th ANNIVERSARY

Faith, Family & FINANCES

*Charitable giving strategies benefiting you, your family and the Church.*

*January 7, 2025*

# Donor-Advised Funds: A Catholic Guide to Thoughtful Giving

Donor-advised funds (DAFs) have emerged as a popular and flexible vehicle for charitable giving. For people committed to aligning their wealth with their faith, DAFs offer a structured yet adaptable way to make a significant impact while adhering to Catholic social teachings. This article explores the fundamentals of DAFs, their benefits, and how philanthropically minded Catholics can thoughtfully integrate them into their giving strategies.

## Understanding Donor-Advised Funds

A donor-advised fund is a philanthropic account established at a public charity. Once a donor contributes assets to a DAF, the charity has legal control over the assets. However, the donor retains advisory privileges regarding how the funds are invested and distributed to other charitable organizations. This structure provides several advantages, including immediate tax benefits, flexibility in timing, and the ability to support multiple charities over time.

## Benefits of Donor-Advised Funds

DAFs offer numerous benefits that make them an attractive option for Catholic donors:

- **Immediate Tax Benefits**: Donors receive an immediate tax deduction when they contribute to a DAF, even if they decide on the charitable recipients later. This can be particularly beneficial in years of high income or significant financial events.
- **Flexibility in Timing**: Unlike direct donations, which must be distributed immediately, DAFs allow donors to recommend grants over time. This flexibility enables thoughtful and strategic giving.
- **Investment Growth**: Funds in a DAF can be invested, potentially growing tax-free until they are granted to charities. This can increase the overall impact of the donor's contributions.
- **Simplified Record-Keeping**: DAF providers handle administrative tasks, including record-keeping and grant disbursements, making it easier for donors to manage their charitable giving.

## Setting Up a Donor-Advised Fund

Establishing a DAF is a straightforward process:

1. **Choose a Sponsoring Organization**: Many public charities, community foundations, and financial institutions offer DAFs. Catholic donors might consider faith-based organizations, such as The Orange Catholic Foundation, which align with their values.
2. **Contribute Assets**: Donors can contribute a variety of assets, including cash, stocks, real estate, and other non-cash assets. These contributions are irrevocable and immediately eligible for a tax deduction.
3. **Advise Investments and Grants**: Donors can recommend how the funds are invested and to which charities grants should be made. While the sponsoring organization has ultimate control, they typically honor the donor's recommendations.

## Thoughtful Grantmaking

Once a DAF is established, donors can engage in thoughtful grantmaking that reflects their values:

- **Do Your Research and Due Diligence**: Thoroughly vet potential grantees to ensure they align with your values and are effective in their mission. Look for transparency, accountability, and a track record of impact.

- **Make Long-Term Commitments**: Consider making multi-year grants to provide organizations with stability and predictability, enabling them to plan and execute long-term projects more effectively.
- **Consider Capacity**: Support not only direct services but also the infrastructure and capacity of organizations. This can include funding for staff development, technology upgrades, and other operational needs.
- **Avoiding Conflict with Church Teachings**: Ensure that grantees' activities do not conflict with Catholic doctrine. This might include avoiding organizations involved in activities contrary to the Church's teachings on life, marriage, and family.
- **Prayerful Discernment**: Integrate prayer and discernment into the decision-making process. Seek guidance from spiritual advisors and reflect on how your giving can best serve God's purposes.

**Legacy Planning**
DAFs can also play a crucial role in legacy planning for donors:

- **Involving Family**: Engage family members in philanthropic discussions and decision-making. This can instill values of generosity and stewardship across generations.
- **Establishing a Legacy Fund**: Consider setting up a permanent legacy fund within a DAF that continues to support chosen causes indefinitely, reflecting your lifelong commitments.
- **Planned Giving**: Incorporate DAFs into broader estate planning. Bequests and other planned gifts can ensure that your charitable impact continues beyond your lifetime.

**Closing Thoughts**
Donor-advised funds offers a powerful and flexible tool for thoughtful giving. These vehicles allow donors to ensure that their wealth makes a meaningful and lasting impact.

If you have any questions or would like more information, contact The OCF philanthropy team at 714.282.3021 or info@OrangeCatholicFoundation.org.

*Please note The Orange Catholic Foundation does not provide tax, legal or accounting advice. This material is prepared and made available for informational purposes only.*

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