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Donor-Advised Funds vs. Private Foundations

Understand the difference to make a decision that is best for your charitable goals

When it comes to structured charitable giving, **Donor-Advised Funds (DAFs)** and **Private Foundations** are two of the most powerful options available. Both allow you to support causes you care about, create a lasting philanthropic legacy, and benefit from tax advantages—but they differ significantly in cost, control, flexibility, and administrative complexity.

Whether you're looking for a simple, tax-efficient giving vehicle or full control over your investments and grants, this guide will help you understand the key differences between DAFs and Private Foundations so you can make the best choice for your charitable goals.

Remember:

You don't have to choose just one. Many donors use a combination of both to maximize impact and efficiency in their philanthropy. In fact, DAFs are gaining enormous popularity because of the tax benefits and ease of use, surpassing Private Foundations in contributions.

Feature	Donor-Advised Fund (DAF)	Private Foundation (PF)
Startup Time	Immediate setup	Weeks to months
Staffing Requirements	None. Managed by the sponsoring org	A handful of FTE's paid at market rates
Tax Deduction – Cash Gifts	Up to 60% of AGI	Up to 30% of AGI
Tax Deduction – Stock/Assets	Up to 30% of AGI for stocks & real estate	Up to 20% of AGI
Cost to Maintain	Low (typically below 0.5% for large accounts)	High (legal, accounting, admin costs)
Annual Distribution Requirement	None	At least 5% of assets annually
Excise Taxes	None	1.39% annual excise tax on net investment income
Investment Management	Limited by sponsoring org's policies	Full investment control
Flexibility	Subject to sponsoring org's policies—may restrict grants to certain charities, impose investment limitations, or have minimum balance requirements	Full flexibility in operations, investments, and grantmaking
Privacy	Grants can be anonymous	Grants are disclosed on tax filings which are public
Legacy Planning	Easy to pass on—avoids probate, and heirs can continue charitable giving with minimal complexity	Can be structured for multi-generational giving but requires legal and administrative work
Grant Restrictions	Cannot donate directly to individuals (must give to public charities)	Can donate to individuals (e.g., scholarships, hardship grants if specific IRS rules are followed)

Simplify your giving. Maximize your impact.

Donor-Advised Fund (DAF) offers an easy, tax-smart way to give back. Whether you want to simplify your giving strategy or create a lasting family legacy, a DAF is the best place to start.

Experience the joy of giving – and create a legacy of philanthropy for future generations.

Maximize your Tax Benefits & Charitable Contributions:

- Many entrepreneurs donate part of their ownership before a sale or IPO to maximize tax benefits and increase their charitable impact.
- DAFs allow donors to contribute privately held stock, pre-IPO shares, or other business interests at fair market value (100%), with an up to 30% AGI deduction for appreciated assets—and no capital gains tax on the sale.
- Private Foundations can accept these assets, but donors only receive a deduction based on cost basis (not fair market value) and are limited to an up to 20% AGI deduction for non-cash gifts.

DAFs are the most flexible and cost-effective charitable giving vehicle available. You can:



Make flexible, tax-advantaged contributions, even with complex assets like business interests or real estate.



Offset your tax liability with higher deduction limits and fair market value contributions.



Give anonymously or publicly —it's your choice.



Enjoy streamlined administration so you can focus on giving, not paperwork.

Strategic giving through Donor-Advised Funds

For some families, a Private Foundation (PF) is the perfect complement to their DAF. While a DAF covers flexible and tax-efficient giving, a PF offers additional benefits for those seeking:

A public-facing legacy tied to the family name.

In-depth oversight of charitable projects and initiatives.

Family involvement through governance and decision-making roles.



Why combine a DAF and PF?

For families who want their giving activities to be a large focus of their time, these vehicles together allow you to:

Optimize your giving strategy. Keep the bulk of your assets in the DAF for flexibility and cost efficiency while using the PF for focused projects that go beyond grantmaking.

Balance control and simplicity. Let the DAF handle operational efficiencies while using the PF for specific family-led initiatives.