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Value of Donor-Advised Funds Soars Above $110 Billion

By Alex Daniels

Assets in donor-advised funds grew by nearly one-third in 2017, to surpass $100 billion for the first time, as contributions to the funds continued to account for a larger share in total philanthropic giving in the United States, according to a study released today.

Stock-market gains, an uncertain tax-policy environment, and deep political divisions helped encourage contributions to, and grants made from, the funds, according to the National Philanthropic Trust's annual donor-advised-fund report.

The increase in total assets under management, which includes contributions and investment gains, topped $110 billion, a 27.3 percent increase over 2016. Grants made from funds to charity totaled more than $19 billion, an increase of nearly 20 percent over the previous year.

Last year contributions made to the funds totaled more than $29 billion, about 10.2 percent of the giving by individuals in the United States, according to the trust's reading of figures provided by "Giving USA." In 2011, the portion of gifts made to the funds was less than half that amount.

Uncertainty Over Taxes

People who were unsure about the outcome of last year's tax debate may have "doubled up or tripled up" on their giving to donor-advised funds, said Eileen Heisman, the trust's president. Contributions were also probably helped by the stock market's impressive growth in 2017, a year that the S&P 500 index notched a return of nearly 20 percent.

Heisman attributed the increase in grants going from donor-advised funds to charities in part to "rage philanthropy," a reaction to the hot political environment since 2016.

Whether donors felt compelled to give because of the #MeToo movement or the intense debates over immigration or abortion, the political brawls of the first year of the Trump administration helped prod donors to give, Heisman said.

"People that were angry one way or the other had a chance to express it, not just in the voting booth but through their charitable giving," she said.

Gifts of Stock

Heisman said that the 17 largest fund sponsors, which account for 62 percent of contributions, reported that more than half of their donations came from illiquid assets, such as appreciated stock.

The study found that the aggregate grant payout rate was 22.1 percent. This compares favorably with the 5 percent payout rate required of private foundations. However, the two measurements are not equivalent. Payout rates for foundations compare assets and grants made in the same year, which can make the payout percentage appear smaller if the foundation's endowment grows. The donor-advised fund payout calculation used by the trust compares 2017 grants to assets from 2016.

Grants made from national organizations that sponsor donor-advised funds, which include entities started by financial-services companies like Fidelity, Schwab, and Vanguard, increased by 25.4 percent.

Grants made by donor-advised funds held by community foundations increased 18.6 percent, while grants from single-issue donor-advised funds, which include universities and religious institutions, grew 6.5 percent.

Big Gains

Last year, Fidelity Charitable alone collected $6.8 billion in contributions to donor-advised funds.

The number of accounts held by commercially affiliated sponsors like Fidelity Charitable grew from 167,260 to 338,140, but most of the growth was due to a change in the way one donor-advised-fund sponsor, the American Online Giving Foundation, reported its data.

Media attention has raised the profile of donor-advised funds among rich people and their wealth advisers. However, Heisman said, it's unclear how much more growth potential remains for them.

"The question is when are they going to level off," she said. "There's no way it's going to stay at this pace forever."