Donor-Advised Fund Account Patterns and Trends (2017-2020)

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DAFRC
Donor Advised Fund Research Collaborative

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Introduction

Donor-advised funds (DAFs) play a vital role in the modern philanthropic sector. However, nonprofit leaders and policymakers do not currently have access to a robust evidence base to inform management decisions or public policy. Data and empirical evidence on individual DAF accounts are particularly needed to predict the effects of changes such as new DAF sponsor initiatives, macroeconomic conditions, or laws that affect DAF sponsors and donors. The Donor Advised Fund Research Collaborative (DAFRC) enhances the DAF evidence base by collecting accurate data and supporting research that contributes to strategic DAF governance and an improved public understanding of DAFs.

One of the current challenges with understanding donor-advised funds is that the best source of publicly available data (the IRS Form 990) summarizes DAF statistics at the sponsor organization level. These data help us to understand the larger trends with DAF growth and activity, like the statistics reported in the National Philanthropy Trust's *2021 Donor-Advised Fund Report,* or the breakdown of grants by subsectors reported in the *Giving USA (2021) special report Donor Advised Funds: New Insights*. However, Form 990 data do not provide sufficient information to understand account-level behaviors and the differences among DAF users.

Other studies on DAFs have used survey data and qualitative data to provide new insights. The Indiana University Lilly Family School of Philanthropy (2020) conducted a management survey of nonprofits and reported their perspectives on receiving grants. The Lilly School (2021) also included questions about DAFs in *The 2021 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households*. Candid (n.d.) produced the CF Insights' Columbus Survey that provides comparative statistics on DAFs at community foundations. Heist, Farwell, Cummings, Cnaan, & Andrews (2021, & forthcoming) conducted in-depth interviews with DAF donors to understand the DAF giving process and the various strategies in DAF giving.

In 2021, The Council of Michigan Foundations (CMF) released the *Analysis of Donor-Advised Funds from a Community Foundation Perspective*. Written by Jeff Williams and Brittany Kienker, it was the first report with account-level DAF data across multiple organizations. The CMF report used data from 2,600 DAF accounts at community foundations in Michigan, providing unprecedented detail about a variety of DAF issues and groundbreaking analyses of the patterns of DAF activity.

This DAFRC publication will build on the existing DAF literature by reporting unique analyses made possible by the DAFRC dataset. This dataset includes account-level data from 13,000 DAF accounts collected from community foundations and religiously-affiliated DAF sponsor organizations across the United States. The dataset excludes national organizations, such as those typically affiliated with commercial financial institutions and those that sponsor micro-DAFs for the purposes of workplace giving. In particular, the report provides additional details and understanding regarding:

Differences among DAF accounts, including asset levels, account structure (endowed vs. non-endowed), and donor demographics;

Account-level patterns of money coming in (contributions) and money going out (grants), including payout rates and shelf life;

Differences in giving through small, medium, and large DAFs; and,

Changes in DAF giving over time, especially during the pandemic and economic recession of 2020.

Key Findings

1. DAFs support the full range of individual donors and charitable giving strategies.

- While 11% of DAFs had over $1 million in assets, the typical DAF is equally likely to be a small-sized DAF with assets under $50,000 or a medium-sized DAF with assets between $50,000 and $1 million.
- DAFs support short-term or flow-through giving strategies. Approximately 18% of DAFs received annual contributions, and 13% had an average payout rate of 50% or more.
- DAFs also support long-term giving strategies. Approximately 10% of DAFs are formally endowed; among large DAFs ($1M+) 18% are formally endowed. Other donors utilize an endowment-like strategy without a formal endowment designation.
- Both restricted and unrestricted grants are possible using DAFs. Approximately 65% of the observed grant transactions and 46% of the observed grant dollars were unrestricted.
- Both individual and family giving can be facilitated through DAFs. Approximately 12% of accounts had 3 or more donors, which is an indicator of multi-generational philanthropic involvement.

2. The wide range of DAF giving strategies is reflected in payout rates, although simple, one-year payout rates are often less informative than multi-year measures of payout.

- Median payout rate among all accounts was 11%; among spendable DAFs, the median payout rate was 13%.
- Most DAF accounts (52%) have four-year average payout rates between 5% and 49%. About one-third (35%) pay out less than 5%, and 13% of accounts have very high payout rates of 50% or more.
- In a typical year, 71% of DAF accounts made a grant. Over the four-year period, 86% made at least one grant. This is reflective of a broader trend whereby donors are less conscious of the calendar year when making grants.
- Most new DAFs do not grant out in their first year - 59% of DAFs opened in 2017 did not make a grant that year. After four years, approximately 42% had granted their entire opening contribution, and another 22% had granted at least half.
- Based on data from their first 4 years of DAF giving, it is expected that 79% of DAFs opened in 2017 will grant all of their initial contribution within 15 years.

3. A relatively small number of large accounts hold most assets and are responsible for most of the grantmaking from DAFs, including increases in 2020.

- Large accounts over $1 million were 11% of all accounts and represented at least 85% of the assets in the DAFRC sample.
- Large accounts were responsible for 86% of the grantmaking increase between 2019 and 2020. Overall, these accounts increased their grantmaking 142% since 2017.
- Compared to small accounts, large accounts had lower payout rates but more consistent grantmaking. They were also more likely to increase grantmaking in 2020.

4. In 2020, DAFs were particularly responsive to both the acute needs of the pandemic in April and to year-end needs in November and December. Across all years, contributions were heavily concentrated in the fourth quarter; however, DAF grants were more evenly distributed across the calendar year.

- The majority of DAF contributions were received in the fourth quarter, including approximately 55% of dollars contributed and 42% of contribution transactions.
- Grants were more evenly distributed across the year, with only 30% of grant dollars and 41% of grant transactions occurring in the last quarter.
- In 2020, DAFs responded to the crisis by both increasing giving in April and also increasing year-end giving; crisis donations did not crowd out year-end donations.

Definition of Terms

Definitions for **DAF terminology** are based on the authors' textbook chapter (Vance-McMullen & Heist, 2022), the National Philanthropic Trust DAF Report (2021), and the Council of Michigan Foundations report (Williams & Kienker, 2021).

Donor-advised fund (DAF): A charitable giving account managed by a nonprofit sponsor organization that allows donors to make tax-deductible contributions into the account and maintain advisory privileges to choose investment options and make grant recommendations. They are referred to as DAF accounts. In this study, only DAF accounts that are advised by individuals and families are included. DAF accounts that are advised by businesses, organizations, or community groups are not included.

DAF Sponsor: The 501(c)(3) public charity organization that hosts donor-advised fund accounts. For this study, we only collected data from community foundations and religiously-affiliated DAF sponsors.

Donor Advisor: The donors who have advisory privileges to make grant recommendations.

Contributions: Donations made by a donor into a DAF account. Contributions to DAFs are tax-deductible because they are irrevocable gifts to a registered 501(c)(3) organization (the DAF sponsor).

Grants: Monetary transfers from the DAF sponsor to another qualified nonprofit organization, the grantee.

Grantee: A qualified nonprofit organization that receives a grant from a DAF, also called a recipient organization.

Assets: The value of assets within each DAF account, typically recorded at the end of the year.

Endowed DAF: A DAF account established to preserve charitable assets for long-term philanthropy. Typically, a percentage of the account's assets are used annually for grantmaking, as determined by the DAF sponsor. Most DAFs, which are not endowed, may be referred to as spendable.

Payout Rate: Payout rate is a measure of how much is granted compared to how much is available for granting. For this study, Payout Rate = Grants / (Beginning of Year Assets + Contributions)[1]

Restricted or General Operating: Grants in this study are categorized as either restricted or general operating. Restricted grants are designated by the donor for a specific purpose or fund at the recipient organization. General operating grants do not have a restriction and can be used as determined by the grantee.

SECTION 1

Data and Methods

The analyses in this report focus on the patterns and variations among DAF accounts. The analyses take advantage of the unique dataset collected for this study. The final sample used in the analyses is the largest and most comprehensive dataset of DAF accounts ever collected. The data represents typical, non-outlier DAFs at large community foundations and organizations with religious affiliations. The reader should be aware of several features of the data which are reflected in the methods of calculating the statistics, the statistics chosen for the report, and the interpretation of the results.

1.1 Data Collection

The Donor-Advised Fund Research Collaborative collected account-level data from 21 DAF sponsor organizations from across the United States, including 16 community foundations and 5 organizations with religious affiliations. Many of the community foundations were relatively large, compared to all community foundations. The religiously affiliated organizations were split between nationally-active organizations and Jewish Federations that operate with a place-based focus much like community foundations. Altogether, the data presented in this study represent approximately 9.2% of DAF accounts and 18.2% of DAF assets at community foundations and single-issue sponsors (see Table 1.1). The data were collected from organizations from all around the United States (see Figure 1.2).

Detailed information was collected on DAF accounts including advisor demographics and all transactions between the years 2017 and 2020. For each account, information was collected on the date the account was opened, the number of authorized donor advisors, the gender of each advisor (if available), the age of each advisor (if available), a 3-digit zip code for the advisors, and whether the account was designated as an endowed DAF. For contributions, the date and amount, as well as the asset type – cash, securities, or other – were collected. For grants, the date and amount, the name, 3-digit zip code, and EIN for the grantee, as well as the grant designation (restricted or general operating) were collected.

1.2 Sample

The sample in this study includes individually-advised DAFs open on January 1, 2020. The 21 DAF sponsoring organizations participating in the study reported data on either the full sample of their DAF accounts or used a stratified random sample to provide data. DAFs with corporate advisors or committees of advisors were excluded from the study. To protect the anonymity of the donors, accounts that were outliers and considered potentially identifiable (approximately 20 accounts, usually with assets above $100M) were excluded from the sample by the sponsor organizations providing the data. Despite the exclusion of outliers, a substantial sample of "large" ($1 M+) accounts was collected, so that conclusions can be drawn for high-net-worth givers.

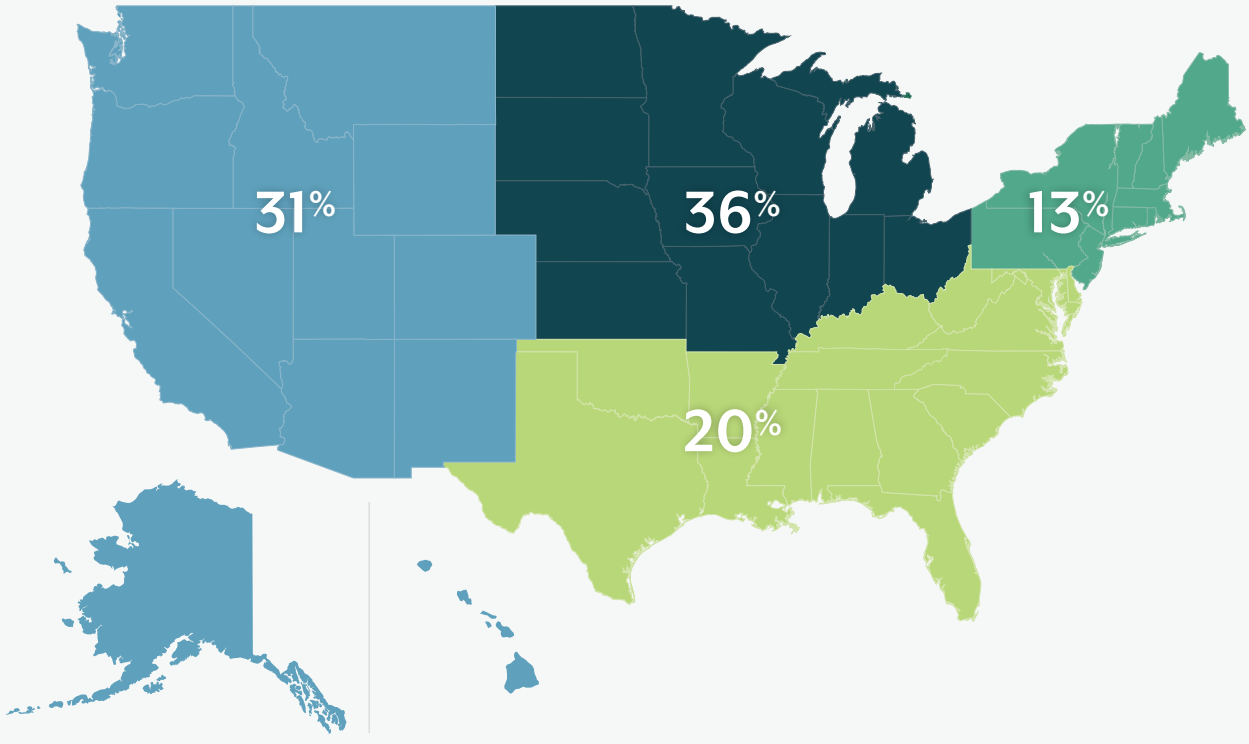
Table 1.1 shows the number and amounts of DAF accounts, assets, contributions, and grants from the dataset for the year 2020, compared to the total for all DAFs at community foundations and single-issue sponsors. from the NPT Report (2021). Note that the DAFRC dataset provided counts of donor advisors, as well as counts of contributions and grants, which are not available from Form 990 data.

TABLE 1.1: OVERVIEW OF 2020 DAFRC DATA COMPARED TO NATIONAL TOTALS

DAFRC Data		% of all community foundation and single-issue DAFs*
Accounts	12,998	9.2%
Donor Advisors	21,840	N/A
Assets ($ Millions)	$10,850	18.2%
Contributions	17,669	N/A
Contributions ($ Millions)	$2,229	15.3%
Grants	121,031	N/A
Grants ($ Millions)	$2,328	17.3%

** DAFRC dataset compared with NPT (2021) statistics.*

FIGURE 1.2: GEOGRAPHIC DISTRIBUTION OF DAFRC DATASET



1.3 Method of Analysis and Interpretation of Findings

This report mostly uses medians, counts, and proportions to describe the key characteristics of "typical" DAF accounts. This focus is appropriate, as the sample excludes some outliers and thus represents typical DAFs rather than the full population of DAF accounts. While some outliers are excluded, the data still include a substantial number of large and ultra-large DAFs. Because of these features of the data, means are not an appropriate or robust method of understanding the typical DAF account. The report includes some aggregate statistics such as proportions based on total dollars in the sample, but it should be noted that these statistics are missing outliers and therefore do not fully represent all DAF activity at the sampled DAF sponsors.

All calculations shown in this report use weighting to reflect the full sample of data at the 21 data-providing DAF sponsors. Inverse probability weights are used to account for the random sampling technique used. For example, accounts selected using a random sample of 50% of accounts over $1M are effectively doubled to represent the total population of $1M+ accounts at our sampled DAF sponsors.

While the data in this report are the largest and most comprehensive set of DAF accounts ever collected, the usual caveats regarding population-level interpretations of a sample apply. First, these data are a sample of all DAF accounts rather than the full population of accounts. Therefore, stated medians, proportions, and differences among groups present in the current data may be influenced by sampling variability as well as true differences in the population of DAF accounts.

Second, the findings in this report cannot necessarily be generalized to DAFs at small DAF sponsors or national DAF sponsors. The sponsors who provided data for this report tended to be larger and more well-established community foundations and organizations with religious affiliations. These types of DAF sponsors are likely to attract slightly different donors than smaller DAF sponsors or national DAFs. These differences may arise because of different account opening minimums, recruitment tactics, or preferences of donors. The results should be interpreted to reflect the population of DAF accounts at sponsors like the ones participating, rather than generalized to the full population of DAF sponsors.

For more information and a copy of the technical appendices, please visit **https://www.dafresearchcollaborative.org/dafrc-research**

SECTION 2

Account and Donor Advisor Characteristics

This section provides a range of information about DAF accounts and the donor advisors that use them. First, a descriptive table of the DAFRC dataset provides an overview of the growth of DAF accounts included in the study. The next section explains the size of DAF accounts (in terms of year-end assets) and defines three size categories: small, medium, and large. More details about the accounts are then provided, including when they were opened and the number of donor advisors per account. After that, information is provided about the age and gender of donor advisors.

2.1 Overview of DAF Accounts

The growth of DAFs is well documented in National Philanthropic Trust reports. An overview of the accounts included in the DAFRC dataset shows similar patterns of growth in recent years. As seen in Table 2.1, the number of accounts grew 30% from 2017 to 2020. Similar growth can be seen in other DAF measures except for the number of contributions. The decline in the number of contributions may result from 2017 being an unusually large year for DAF contributions because of the Tax Cut and Jobs Act. However, the total dollar amount of contributions did grow over time, similar to national trends.

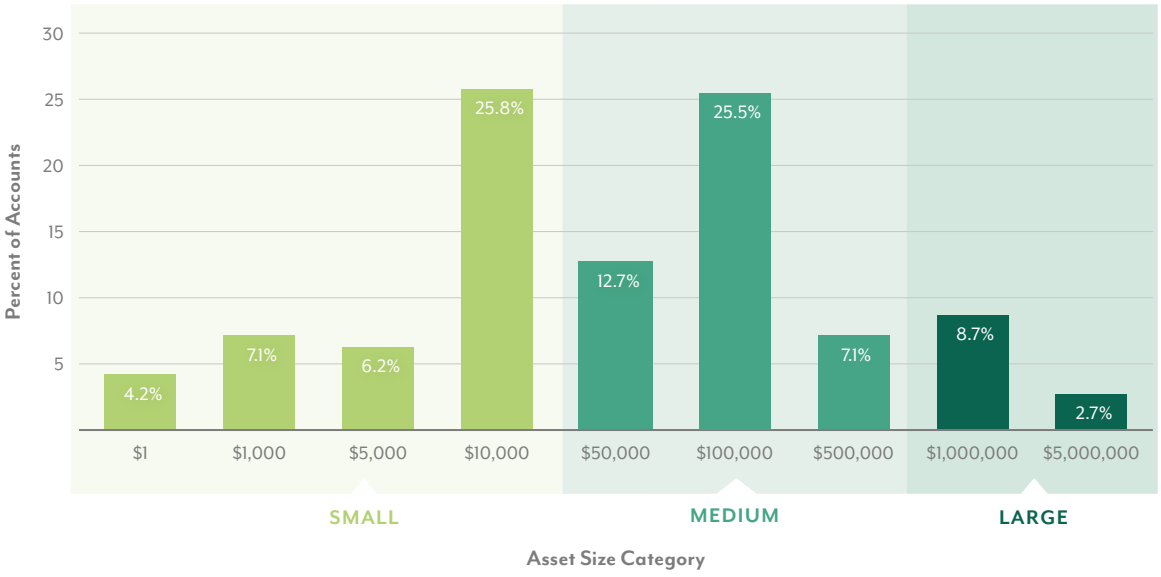
TABLE 2.1: OVERVIEW OF DAF ACCOUNTS IN DAFRC DATASET

DAF Measures	2017	2018	2019	2020
Accounts	9,972	11,080	11,991	12,909
Assets ($M)	$9,142	$9,624	$10,850	$11,663
Grants	88,967	97,066	106,132	121,031
Grant Amounts ($M)	$1,207	$1,651	$1,934	$2,328
Contributions	22,233	19,334	20,253	17,669
Contribution Amounts ($M)	$2,063	$2,071	$2,068	$2,229

2.2 Size of Accounts

One of the common conceptions about DAFs is that they are used only by the ultra-wealthy. While ultra-wealthy philanthropists do use DAFs, over 1 million DAF accounts have now been established (National Philanthropic Trust, 2021). Figure 2.2 shows the percent of DAF accounts within each asset range at the end of 2020, and the percent of total assets within each of those ranges. The distribution has two distinct groups. The first group is accounts with assets under $50K. The second group is those with assets between $50K and $1M. A smaller, but still substantial group of accounts have $1M+ in assets.

FIGURE 2.2: PERCENT OF ACCOUNTS BY YEAR-END ASSET SIZE (2020)

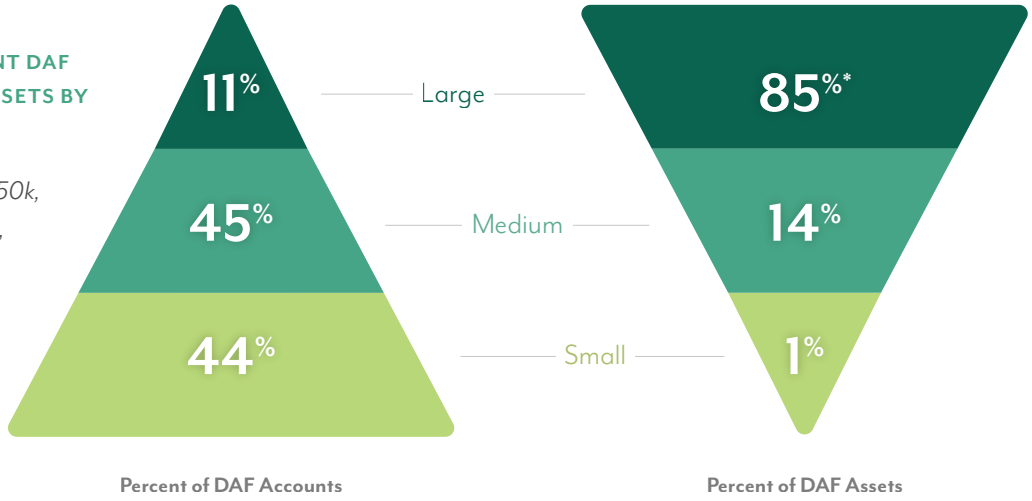


2.3 Size Groups

Given the distribution of account sizes presented above, this report categorizes DAF accounts into three size groups, based on year-end assets in 2019: small (less than $50K), medium (between $50K and $1M), and large (more than $1M). The representation of these three groups in Figure 2.3 will be familiar to nonprofit professionals, as it is similar to patterns of financial resources found elsewhere in the philanthropic sector. It is important to note that because outliers were excluded from the sample, the percentage of assets from large accounts is understated. If outliers were included that percentage would likely be well above 90%.

FIGURE 2.3: PERCENT DAF ACCOUNTS AND ASSETS BY SIZE GROUP

Note: Small = under $50k, Medium = $50k - $1M, and Large = over $1M.



** Outliers are excluded, so this percentage likely understates the total percentage of assets from large accounts.*

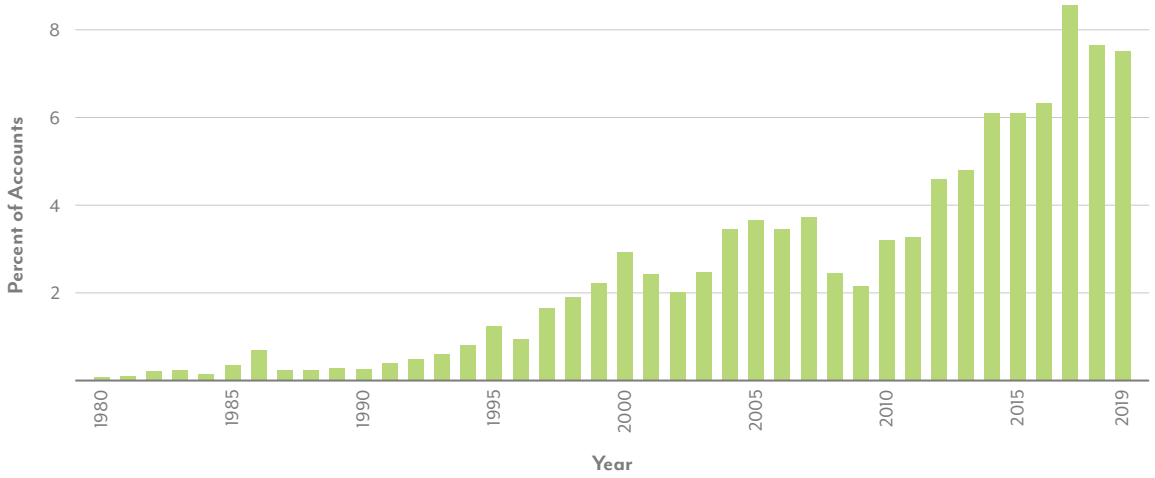
2.4 Account Opening Dates

The national increase in the number of DAF accounts over the last two decades is well documented. While the DAFRC dataset cannot fully trace the total number of accounts over time due to its exclusion of accounts that have closed, it provides a useful picture of the opening date of accounts that are in existence today. Figure 2.4 shows that approximately 25% of DAFs in the data were opened in 2017 or later, while 50% were opened in 2012 or earlier.

Looking at a distribution of the opening dates of accounts can provide some insight into the factors that may influence when donors decide to open a DAF. Clearly, a drop in new accounts occurred during the great recession. In 2017 a spike in new accounts is likely related to the passing of the Tax Cut and Jobs Act. Not all

fluctuation in growth can be explained by political and economic forces. Much of the growth in DAFs results from sponsor organizations opening DAFs and conducting fundraising to attract DAF donors. Different DAF sponsors in the study saw different growth patterns based on their organization's efforts to promote their DAF offerings.

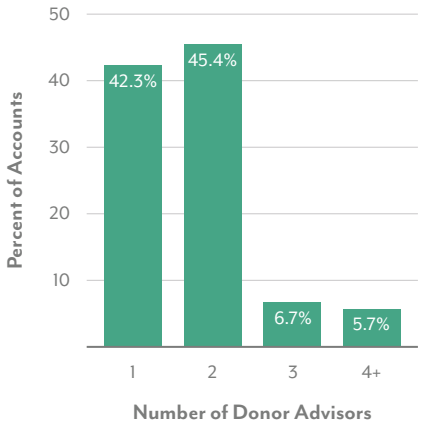
FIGURE 2.4: ACCOUNT OPENINGS OVER TIME



2.5 Number of Donor Advisors

Each DAF account may have multiple people listed as donor advisors who are authorized to make grant recommendations. This flexibility has allowed some donors to engage family members such as children and grandchildren in the grant-making process. Figure 2.5 shows that the vast majority of accounts in the data are associated with either 1 or 2 donor advisors. While it is impossible to determine whether all the advisors on an account are family members, Figure 2.5 also demonstrates that around 12% of accounts have more than two advisors and likely involve more family members.[2]

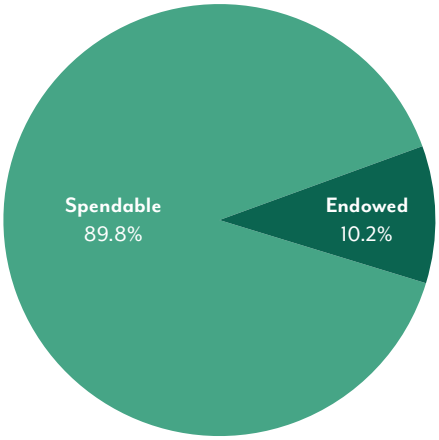
FIGURE 2.5: NUMBER OF DONOR ADVISORS PER ACCOUNT



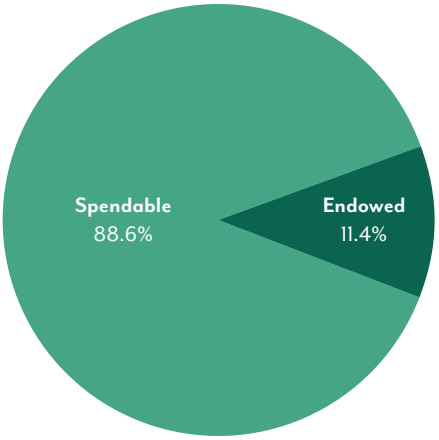
2.6 Endowed Accounts

Some DAF sponsor organizations offered endowed DAF accounts. Typically, endowed DAFs are used for long-term giving and only a specified percent of assets are used for grantmaking every year. The CMF report found that endowed DAFs made up about half of the number of DAFs and a little bit over half of DAF assets at Michigan community foundations (Williams & Kienker, 2021). This DAFRC report provides different findings. Figure 2.6 shows that in the DAFRC dataset about 10% of accounts were designated as endowed and that a slightly higher proportion of assets was held by endowed accounts. The differences between the CMF and DAFRC findings on endowed accounts could occur because the DAFRC sample includes a broader geography with different cultural and historical factors at play or because the DAFRC sample focuses on larger DAF sponsors.

FIGURE 2.6: PERCENT OF ACCOUNTS AND PERCENT OF ASSETS HELD BY ENDOWED DAFS



Percent of Accounts

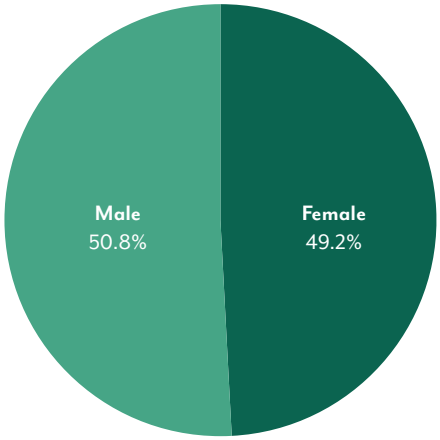


Percent of Assets

2.7 Donor Advisor Demographics

Very little information is available on the demographics of DAF donors. The Indiana University Lilly Family School of Philanthropy (2021) survey report found that among affluent households, "Blacks/African Americans (16.7 percent) and Hispanics/Latinos (13.1 percent) were significantly more likely to have a donor-advised fund than Whites/Caucasians (5.3 percent)" (p. 90). While DAFRC was able to collect information on gender and age of advisors, gender was missing for 25% of donor advisor records and age was missing for 63% of records. Moreover, information about race, income, education, and other demographic characteristics are not generally kept in administrative records of DAF sponsor organizations. Future research collecting more demographic information will be needed to shed more light on the use (or lack of use) of DAFs by various demographic groups.

FIGURE 2.7A: GENDER OF DONOR ADVISORS



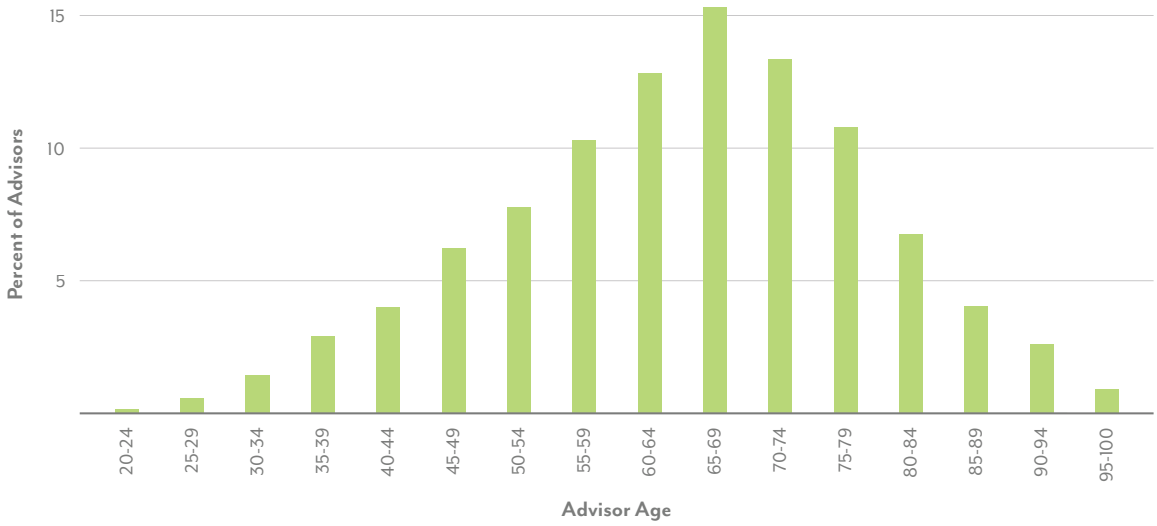
2.7a Gender of Donor Advisors

The population of DAF advisors was about half male and half female[3], with slightly fewer females than males.

2.7b **Age of Donor Advisors**

Charitable giving correlates closely with a donor's life-cycle. For example, baby boomers continue to give at the rates that previous generations gave at their age (Rooney, Wang, & Ottoni-Wilhelm; 2018). In Figure 2.7b donor advisors are grouped into 5-year age cohorts. The most common ages for donor advisors are 60 to 75 years old. Note that the distribution of ages may be influenced by the type of DAF sponsors participating in this study. Other DAF sponsors that offer different types of DAF products, such as workplace giving accounts or zero-minimum accounts, may attract a younger population.

FIGURE 2.7B: AGE OF DONOR ADVISORS



SECTION 3

Contributions

DAF donors make contributions to establish a DAF account and may add more money to their account in subsequent years. Understanding the frequency, amount, and types of contributions reveals the various ways donors choose to fund a DAF. In addition, understanding the timing of contributions provides insights on how contributing to a DAF compares to other forms of charitable giving.

3.1 Contribution Frequency

Although all DAF accounts require an initial establishing contribution, donors vary in the frequency with which they donate additional funds from their personal income and assets into their DAF. Figure 3.1 shows that about 37% of the DAF accounts received a contribution in a given year. This number is very similar to previous research, which found that 38% of Michigan DAF accounts received a contribution in 2019 (Williams & Kienker, 2021).

Over a four-year period (2017-2020), however, about 68% of accounts received some form of contribution. The DAFRC dataset tracks whether a contribution was an initial contribution or an additional contribution. Table 3.1 categorized DAF accounts into the various types of contribution activity between 2017-2020. First, 32% of accounts that were established before 2017 received no additional contributions. Then, 12% of accounts in the sample were opened between 2017-2020 but did not receive additional contributions. Next, 38% of accounts received at least one contribution in addition to the opening contribution (but not every year). Finally, 18% of accounts received a contribution in each year that they were observed.

FIGURE 3.1: PERCENT OF DAF ACCOUNTS WITH CONTRIBUTIONS IN A GIVEN YEAR

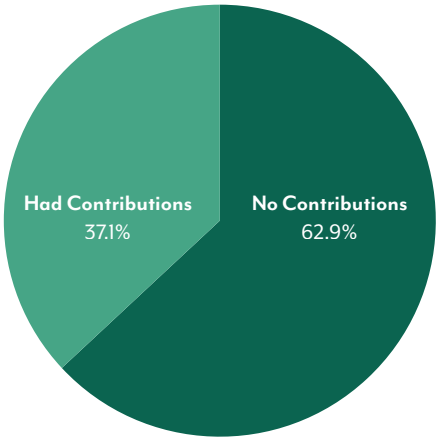


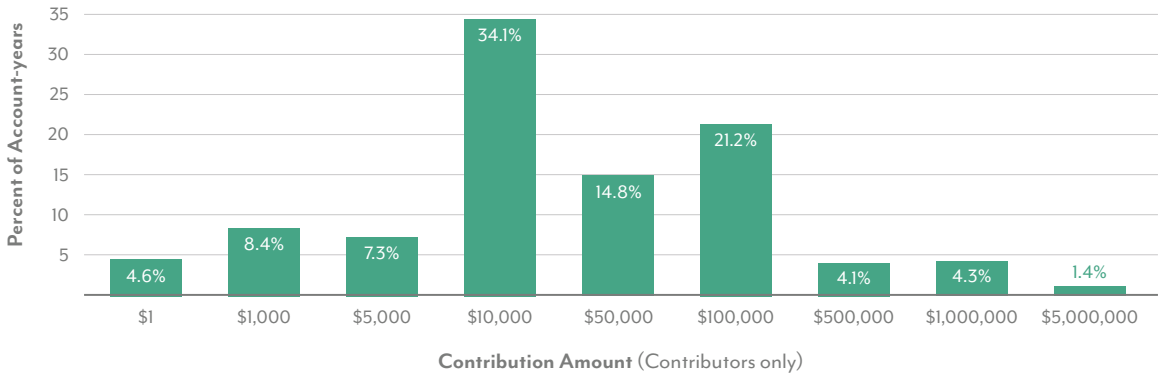
TABLE 3.1: ACCOUNT CONTRIBUTION TYPES OVER FOUR YEARS (2017-2020)

Contributor type	Count	Percent
No Contributions	3,544	32.0%
Opening Only	1,271	11.5%
Additional Contributions	4,218	38.1%
Yearly Contributions	2,038	18.4%
Total	11,071	100%

3.2 Contribution Amounts

Contributions in the DAFRC data ranged from $1 to well over $1M, with over one-third (34%) of contributions in the $10K – 50K range, and the next most frequent contributions (21%) in the $100K – 500K range (see Figure 3.2). This second range gives some indication of how common it is for donors to make large, lump-sum contributions into a donor-advised fund. Such contributions may come when donors experience a wealth event, such as the sale of an appreciated asset.

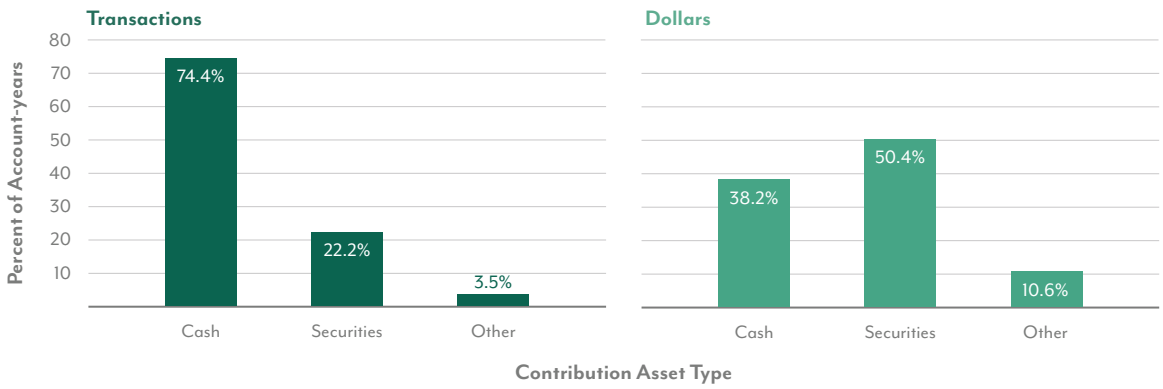
FIGURE 3.2: DISTRIBUTION OF ANNUAL CONTRIBUTION TOTALS BY DAF ACCOUNTS



3.3 Contribution Asset Types

Donors contribute various types of assets into their DAFs. DAF sponsors receive cash donations such as bank transfers, wire transfers, and personal checks. They can also receive securities and other types of non-cash donations, such as real estate and (depending on the sponsor) closely-held business interests. Figure 3.3 shows that while cash contributions were much more common (74%), non-cash donations, especially securities, made up a larger portion of the total amount of contributions. Together, securities and other contributions accounted for more than half (61%) of the total amount. Because outliers are excluded, and it can be assumed that ultra-high-net-worth donors would be more likely to contribute non-cash assets, our findings likely understate the proportion of contributed dollars that are received from non-cash assets.

FIGURE 3.3: TYPE OF ASSETS CONTRIBUTED, PERCENT OF TRANSACTIONS AND DOLLARS



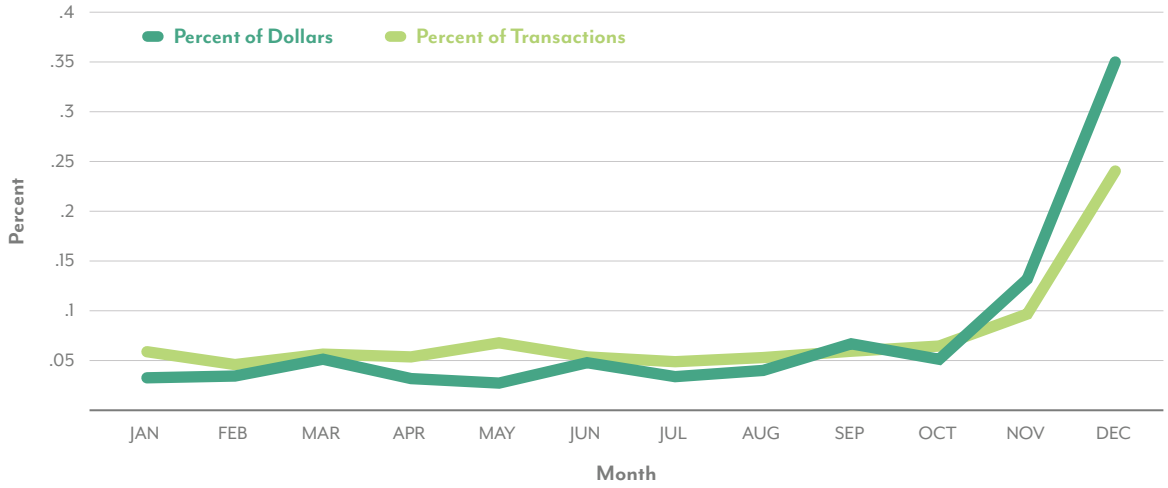
3.4 Monthly Analysis of Contributions

Most reports on DAFs provide year-end totals for contributions. The DAFRC dataset includes dates for all transactions. Using transaction dates, DAF contributions can be analyzed by month, proving insights on the annual cycles of DAF activity.

The majority of DAF contributions were received in the fourth quarter, including approximately 55% of dollars contributed and 42% of contribution transactions. Figure 3.4 shows that in December alone DAFs received about 25% of all contributions transactions, which were about 35% of the total dollars. Therefore, year-end contributions are generally larger than other contributions throughout the year.

It is commonly understood among nonprofit professionals that a large share of charitable giving happens in the last quarter. Figure 3.4 confirms that this pattern holds for DAFs. The finding may provide insights for DAF managers that track DAF revenues throughout the year. The prevalence of November and December contributions also indicates that discussions around DAF payout rates will require nuance since most contributions made in a given calendar year are not available for grantmaking until the very end of the year.

FIGURE 3.4: MONTHLY CONTRIBUTION TRANSACTIONS AND TOTAL CONTRIBUTIONS



SECTION 4

Grants

After contributing to a donor-advised fund, donors make recommendations to the sponsor organization for money to be granted from their account to another charity. *The Giving USA Special Report, Donor-Advised Funds: New Insights* (Giving USA, 2021) provided several important insights on grantmaking from DAFs, including some of the differences in grantmaking between different types of sponsor organizations and the categories of recipient organizations. The DAFRC study provides additional detail regarding DAF grantmaking, including information on the number of grantees per account, the grant purposes (restricted vs general operating), and monthly statistics on grants.

4.1 Number of Grants and Grantees

Understanding the frequency and distribution of grantmaking from DAFs is important from both a managerial and policy perspective. The DAFRC data show that understanding grantmaking over a period of years is more informative than looking at grantmaking in any single year. Other research has found that not all donors give every year and that a donor's giving behavior should be considered over multiple years (Rooney, Ottoni-Wilhelm, Wang, & Han, 2019).

In any single year, about 71% of DAF accounts make at least one grant, while 29% of DAF accounts do not (see Figure 4.1a). Within four years (2017-2020) about 86% of accounts made a grant. Therefore, DAF giving behavior is better understood over multiple years.

FIGURE 4.1A: DAF ACCOUNTS THAT MADE GRANTS IN A YEAR OR WITHIN FOUR YEARS

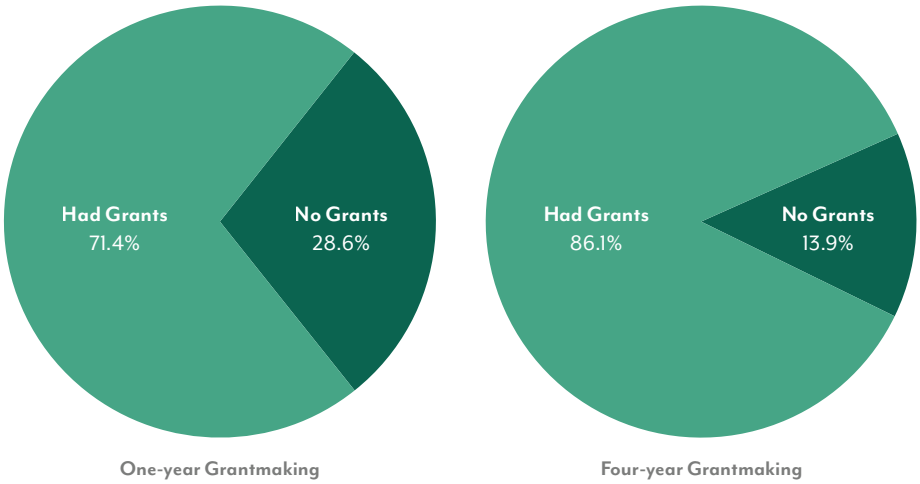
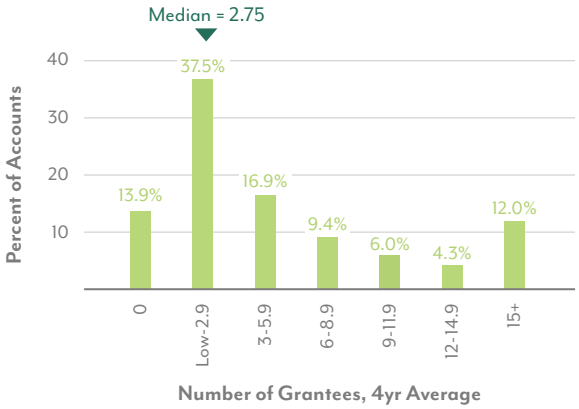


Figure 4.1b shows the average number of grantees over a four-year period (2017-2020). About one-sixth (14%) of DAF accounts in this study had an average of zero grantees, meaning they did not grant in any year during the four-year period. About 38% of DAFs granted to an average of 1 to 3 grantees per year. The remaining half of DAFs (49%) granted to several organizations, up to 20+ grantees. The wide range of grantees selected by donors may be an indication of different types of donor impact strategies.

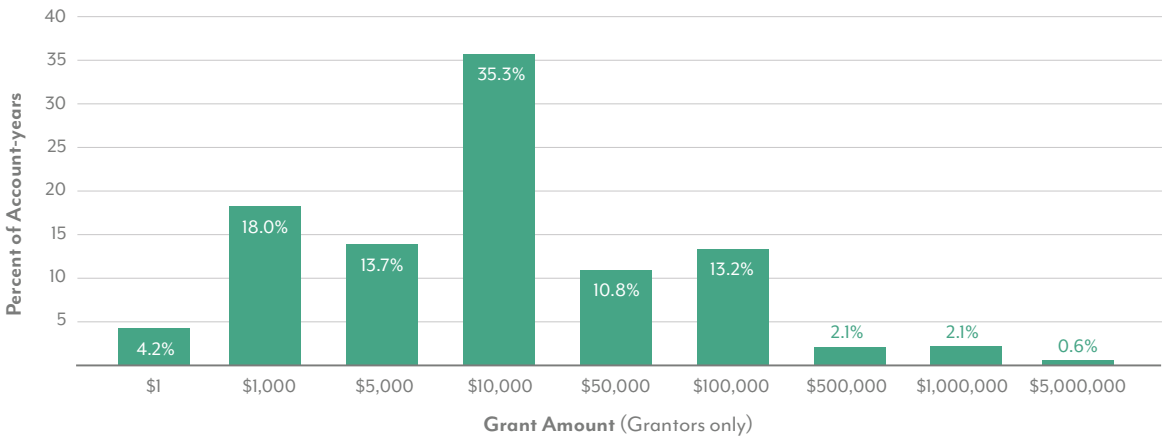
FIGURE 4.1B: AVERAGE NUMBER OF GRANTEES PER ACCOUNT 2017-2020



4.2 Grant Amounts

Donor advisors recommended a wide range of grant amounts from their DAF account. Many DAF sponsor organizations have a minimum grant amount, such as $500. Figure 4.2 shows the total annual grant amounts from the accounts in the dataset. Based on Figure 4.1, these grants can be split between one or many grantees. Figure 4.2 shows that most grantmaking DAF accounts donate over $10K annually, with the most common total (about one-third of all accounts) between $10K-50K. These findings combined with an analysis of individual transactions indicate that DAF grants likely include many major-gift level grants. However, a notable proportion (over 30% of accounts) granted in the $1-10K range, indicating that DAF donors are also making a substantial number of smaller annual donations.

FIGURE 4.2: DISTRIBUTION OF ANNUAL GRANT TOTALS BY DAF ACCOUNTS



4.3 Monthly Analysis of Grants

The DAFRC dataset also allows for the analysis of grantmaking activity by month. Grants were more evenly distributed across the year, with only 30% of grant dollars and 41% of grant transactions occurring in the last quarter. As seen in Figure 4.3a, about 25% of all grant transactions occurred in December, but December grants constituted only about 16% of total grant dollars. This finding indicates that more but smaller grants are made at year-end, which is different from the larger amounts contributed into DAFs at year-end (see Section 3.4). Interestingly, June sees a slight peak in total dollars granted. Because there are no tax ramifications with grantmaking from a DAF, the grantmaking amounts seem to be flatter than contribution amounts throughout the year. The increase in the number of grants in December could be an artifact of traditional year-end solicitation and giving patterns. Figure 4.3b confirms that smaller grants are more common in December, but larger grants still have a noticeable bump at year-end. These findings may help fundraisers understand patterns of DAF grantmaking better and assist with the timing of solicitations.

FIGURE 4.3A: MONTHLY GRANT TRANSACTIONS AND TOTAL GRANTS

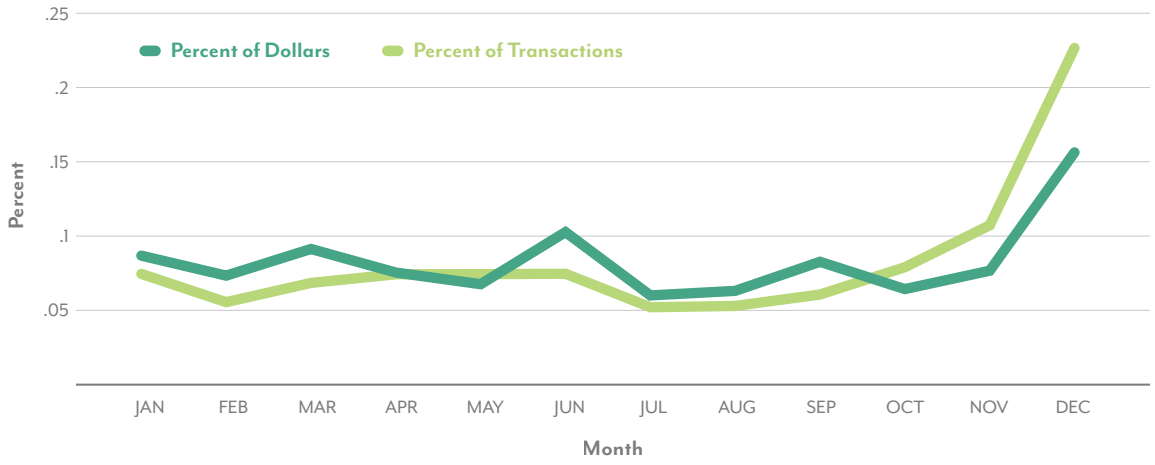
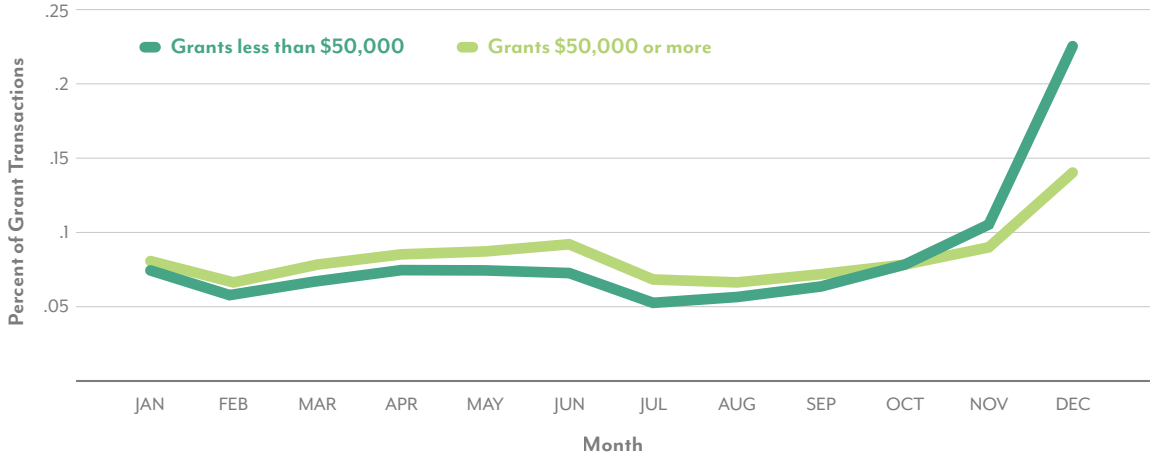


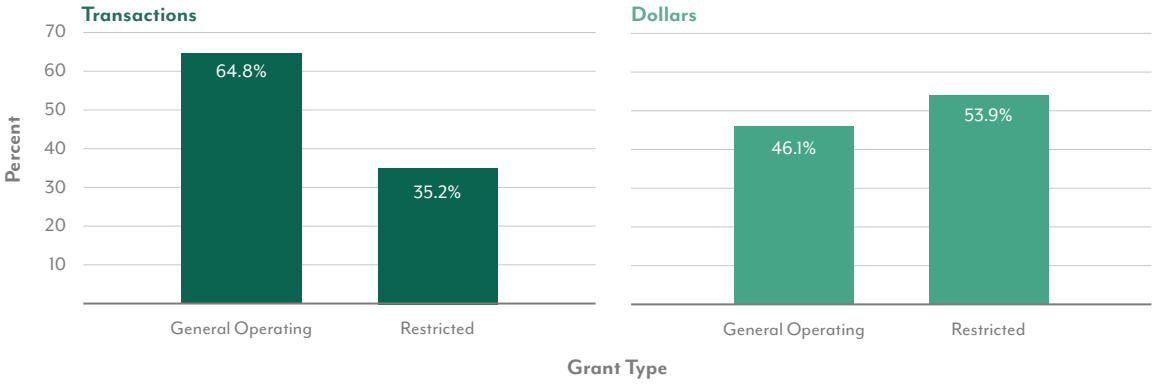
FIGURE 4.3B: MONTHLY GRANT TRANSACTIONS BY THE SIZE OF GRANT



4.4 Grant Types: General Operating vs Restricted

When donors recommend grants through their DAF, they usually have options for making designations, giving instructions, or leaving notes for the recipient organization. Different platforms organize the choice structures in different ways, but typically options such as "Where needed most," "Annual Fund," "In Memory of," and (more recently) "COVID Relief" are presented in a drop-down list. Then, the donor also has the option of typing in a customized note or instruction into an open-text box. The DAFRC dataset included this information with every grant transaction. All grants were categorized as either "General Operation" (i.e. unrestricted) or "Restricted." [5] Figure 4.5 shows that most grants (over 60%) were made with no restrictions. However, restricted grants accounted for a slightly larger share of the total amounts. This is unsurprising, given that larger grants tend to be designated for specific purposes.

FIGURE 4.4: GENERAL OPERATING VS RESTRICTED GRANTS



SECTION 5

Giving Patterns

There is a longstanding interest in understanding not only the grantmaking from DAFs but also how quickly funds that are contributed to DAFs are granted out to operating nonprofits. This concept can be studied at the account level using several metrics. The most common metric is payout rate, although recent research has also classified giving patterns using activity types or explained the speed of giving using the concept of shelf life. Each of these metrics is examined in turn in this section. Much of the discussion around DAF payout rates and other related metrics has used aggregate organization-level measures, which do not give an accurate picture of the wide diversity of giving activity within DAF sponsor organizations. One of the key benefits of account-level data is that diversity in giving patterns can be examined more closely.

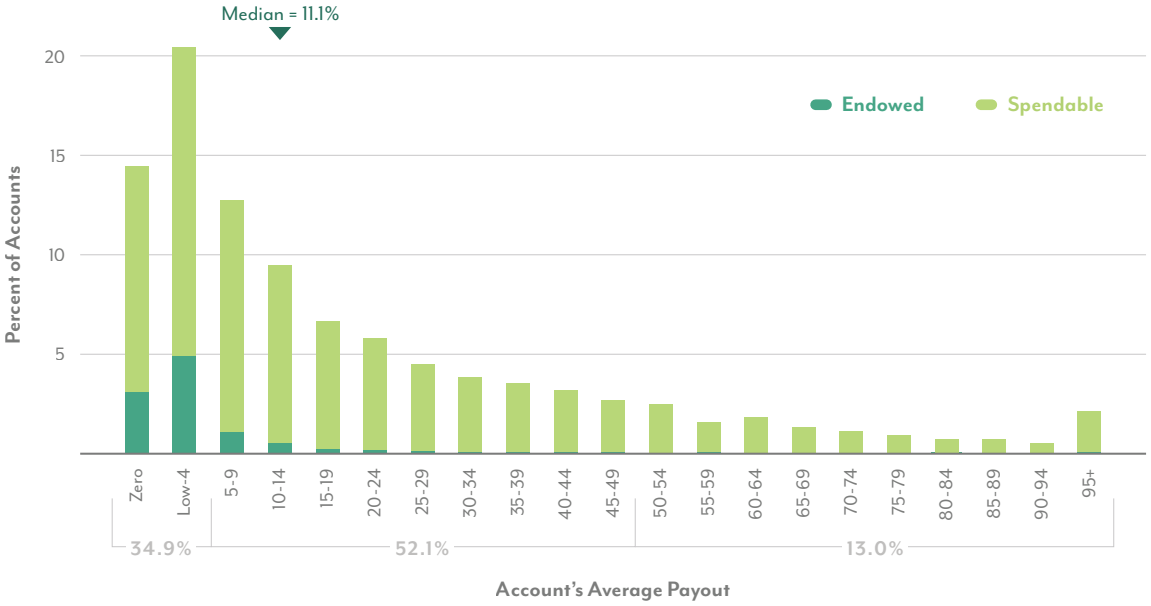
5.1 **Payout Rates**

One way to measure DAF activity is by calculating the payout rate. There are several ways to calculate payout rate (each method leads to slightly distinct numeric estimates), but the measure is generally intended to represent the money granted divided by the money available for grantmaking (Andreoni & Madoff, 2020). This report uses the same payout rate calculation used in the CMF report (Williams & Kienker, 2021; see Definition of Terms).

Because DAFs are used over time, and not just in one year, an average payout rate provides a more accurate description of account activity. Figure 5.1 shows the distribution of the four-year average payout rate for accounts. Approximately 14% of accounts had a four-year average payout rate of zero, which included accounts that had no activity at all and accounts that opened during those years and had not yet made a grant. About 21% of accounts had an average payout greater than zero but less than 5%. More than half of DAFs (52%) were between 5-50%, and the remaining 13% of accounts had a payout rate of more than 50%. Figure 5.1 also shows the proportions of accounts within each range that were Endowed DAFs. As expected, Endowed DAFs generally have lower payout

rates. The median payout rate for all DAFs was 11%, but the median for endowed DAFs was about 3% and the median for spendable DAFs was 13%. In addition to the accounts that are officially established as endowed DAFs, some donors use their accounts like an endowment even though they are not formally designated as endowed (Heist et al., forthcoming).

FIGURE 5.1: DISTRIBUTION OF FOUR-YEAR AVERAGE PAYOUT RATES FOR ENDOWED AND SPENDABLE DAFS

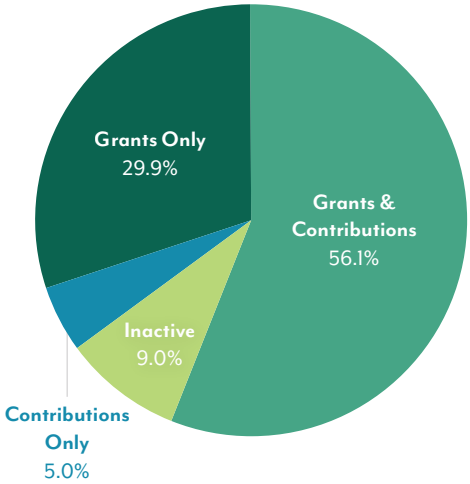


5.2 DAF Activity Types

Another way to understand the relationship between DAF contributions and grants is by classifying the type of activity happening within the DAFs. Inactive DAFs have no contributions or grants. Some DAFs receive contributions but do not make grants, particularly during an initial "startup" year. Some DAFs have both contributions and grants. And, some DAFs only make grants (using funds that were contributed before the observed time period).

Figure 5.2 shows the types of activity within DAFRC accounts over four years. Most accounts (56%) had both contributions and grants within that period, and less than 9% had no activity within that time. This statistic is comparable to the 8% of "Always quiet" accounts found in the CMF report (Williams & Kienker, 2021, p. 20).

FIGURE 5.2: DAF ACTIVITY TYPES



5.3 Shelf Life of Opening Contributions

The "shelf life" metric measures the amount of time that contributed dollars remain in a DAF before being granted out to an operating nonprofit. Using the first-in-first-out approach with aggregated data, Andreoni (2017) calculated the shelf life of DAF money to be about 4 years. With the DAFRC dataset, shelf life can be calculated for each account.

In this section, shelf life and related measures are calculated only with new accounts that opened in 2017. Both the proportion paid out (Figure 5.3a) and shelf life (Figure 5.3b) are shown to summarize grantmaking from the accounts' initial contributions. Figure 5.3a shows that by the end of 2017, a little more than half of the accounts had not yet used any of their opening contributions[6]. In other words, nearly 60% of new DAFs do not grant the same year they open. This may be unsurprising given that almost half of all contributions come in the last quarter of the year. By 2020, within four years, a bit more than 40% of the new accounts had granted out the full value of their initial contributions. Less than 10% of accounts had not granted anything.

FIGURE 5.3A: PAYOUT PATTERN OF 2017 OPENING CONTRIBUTIONS

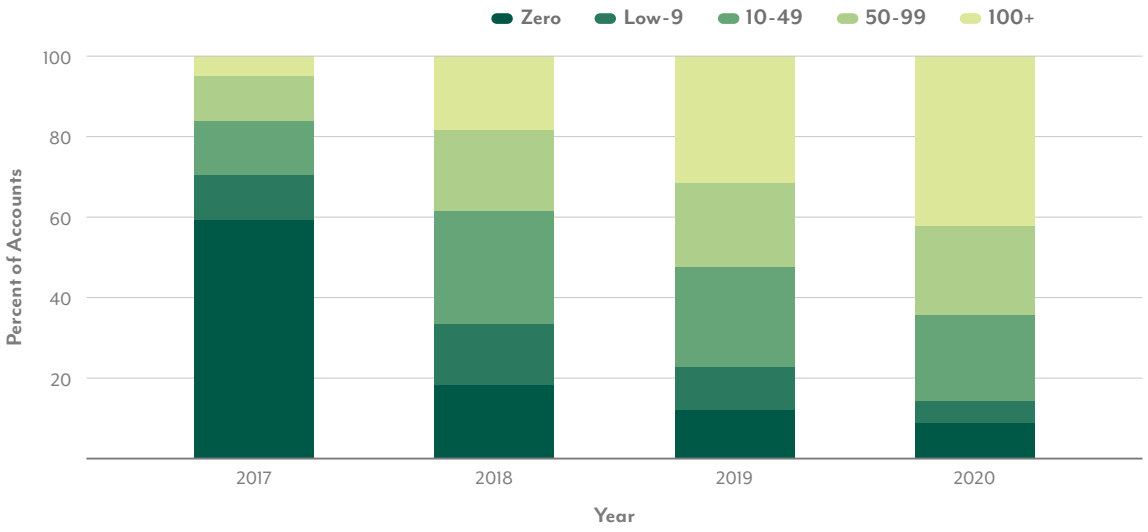
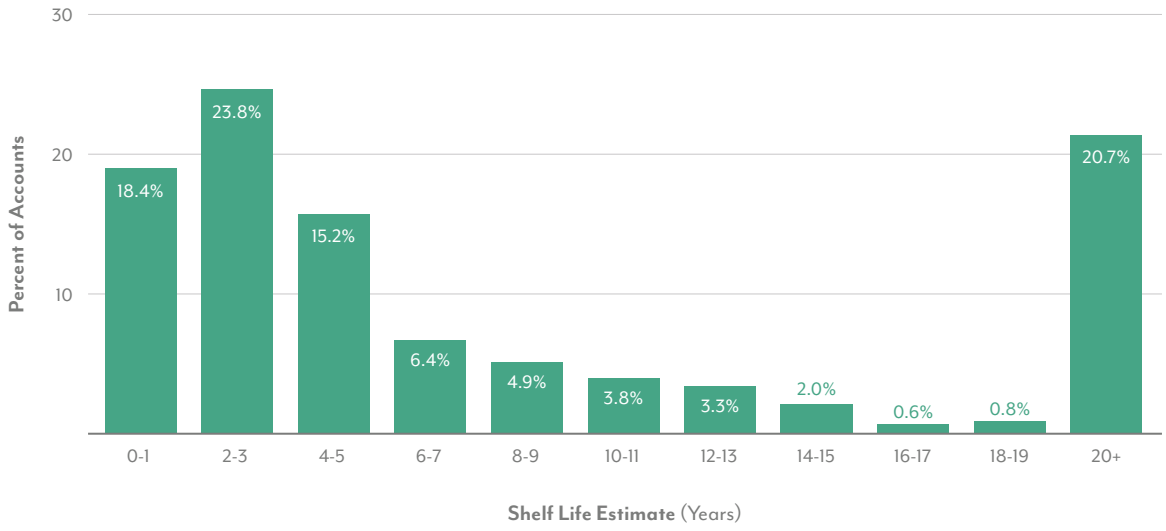


Figure 5.3b estimates when each account would likely use up the 2017 opening contributions based on four-year averages of grantmaking[7]. Most accounts are expected to grant out all of their 2017 opening contributions within 5 years. The projection shows that about 20% of accounts are expected to grant the contributions away in 20+ years. This may be unsurprising given the earlier finding that approximately 10% of accounts in the data were formally endowed, and many other accounts were operating as if they were informally endowed. However, it is difficult to predict long-term grantmaking with four years of data. More longitudinal data will need to be collected to more accurately understand DAF accounts with long-term grantmaking strategies.

FIGURE 5.3B: SHELF LIFE ESTIMATES



SECTION 6

Size Group Differences: Small, Medium, and Large DAFs

This section analyzes some of the differences between small (<$50K), medium ($50K - $1M), and large ($1M+) DAF accounts. These groupings are determined by using end-of-year assets in 2019. As discussed in Section 2.3, approximately 44% of the accounts represented by the sample fell into the small group, 46% were in the medium group, and 11% were in the large group.

6.1 Grants and Contributions

Figure 6.1a shows (as noted earlier) that large accounts make up about 85% of the total assets in DAFs; they make up about 79% of the total contributions and about 73% of the total grants. Small accounts make up only 1.3% of year-end assets but account for a much larger proportion of contributions (5.4%) and grants (7.1%). A similar pattern can be seen with medium accounts. In other words, the funds that flow through the small and medium accounts are larger than expected, given the assets that remain at the end of the year. This indicates that a greater proportion of small and medium accounts may be used as pass-through vehicles.

FIGURE 6.1A: TOTAL ASSETS, CONTRIBUTIONS, AND GRANTS BY SIZE GROUP

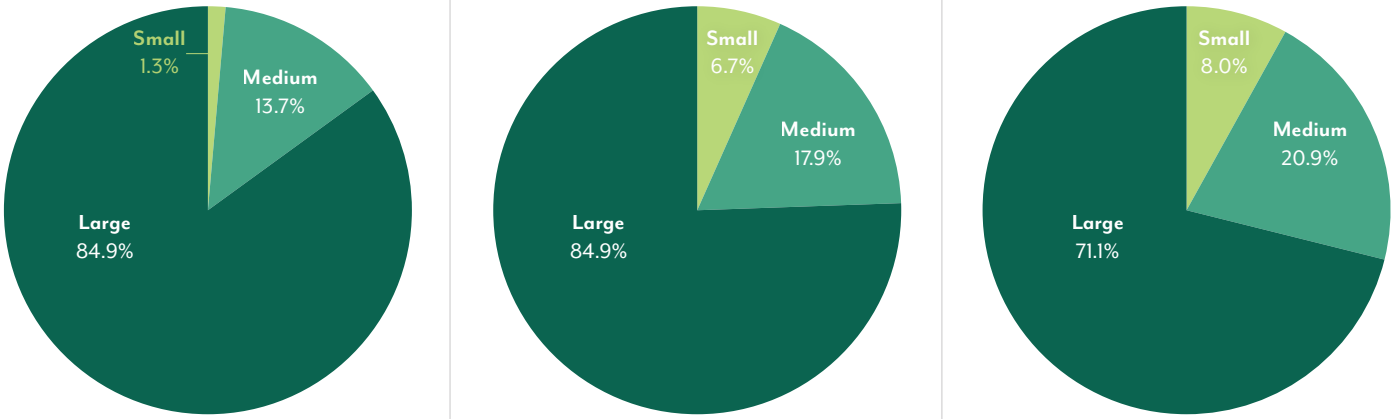
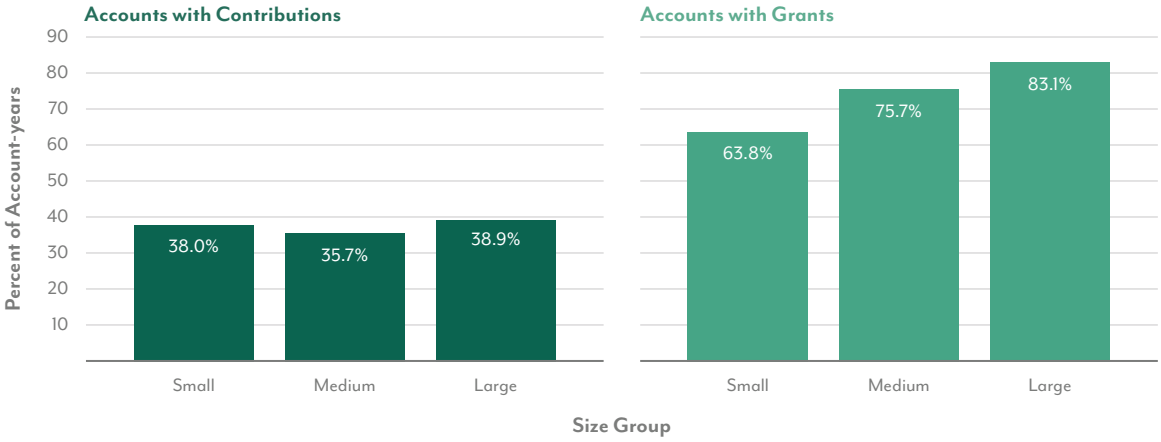


Figure 6.1b shows that there is no substantive difference in the proportion of small, medium, and large accounts receiving contributions in a given year. When compared to small accounts, medium and large accounts are more likely to make grants in a given year. Almost 80% of large accounts will make a grant in any given year, while about 60% of small accounts will make a grant. The fact that a higher percentage of large accounts make grants every year means that they are more consistent in their grantmaking.

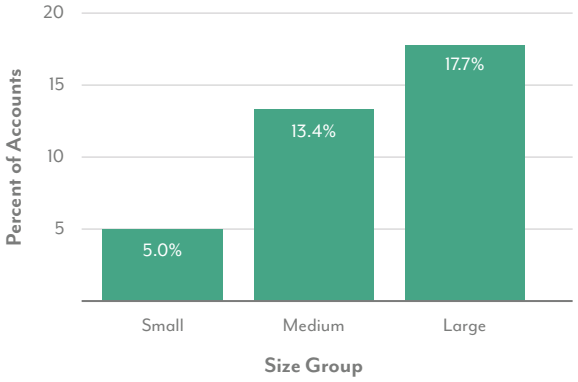
FIGURE 6.1B: PERCENT OF ACCOUNTS WITH CONTRIBUTIONS AND GRANTS BY SIZE GROUP



6.2 Endowed vs Spendable Accounts

The findings from the previous section (6.1) can be partially explained by endowed DAF accounts. Figure 6.2 shows that a higher percentage of large accounts (18%) are endowed DAFs compared to medium (13%) or small (5%) accounts. Endowed DAFs are typically established to maintain a principal corpus of charitable assets, while grantmaking on the earned interest. Because more large accounts are endowed, they grant more consistently every year but grant a relatively lower portion of their assets than smaller accounts.

FIGURE 6.2: PERCENT OF ENDOWED DAFS BY SIZE GROUP

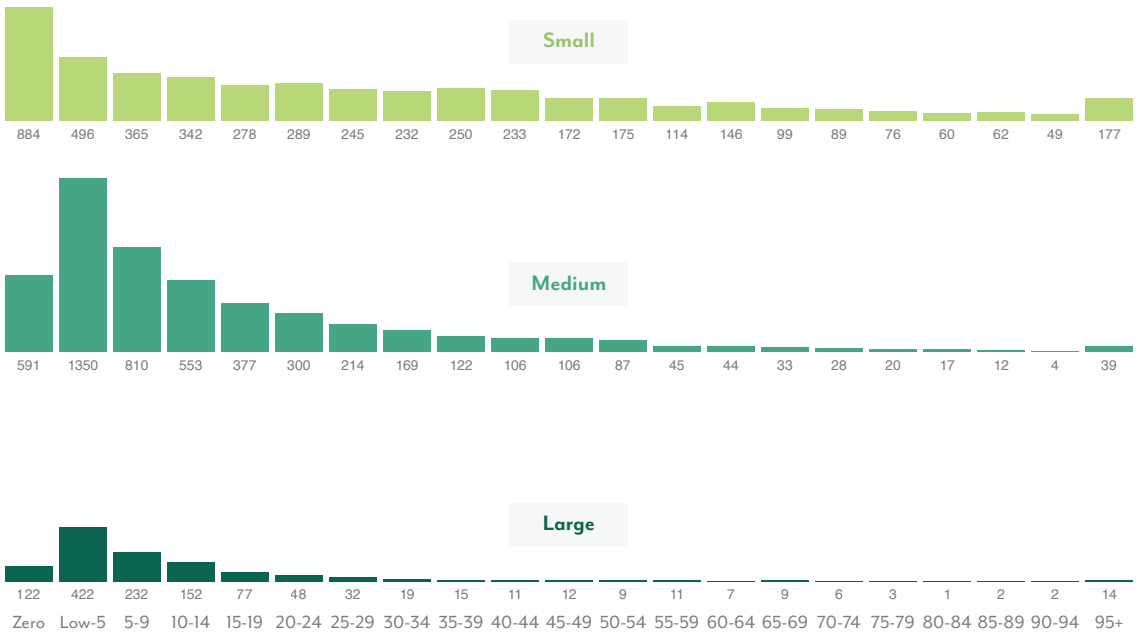


6.3 **Payout Rates**

Given the findings on grantmaking proportion and endowment status from the previous two sections, it will be unsurprising to learn that small, medium, and large accounts differ in the distribution of their payout rates. Figure 6.3 shows that large accounts generally have smaller payout rates compared to small and medium accounts. Notable proportions of medium and small accounts also have lower payout rates, but these size accounts are more likely to have higher payout rates.

When interpreting these differences, it is important to note the two-way relationship between payout rates and account sizes. Having a high payout rate directly lowers a DAF account's year-end assets and therefore its size designation. For example, if a donor contributes $5 million into a DAF and grants $5 million out of a DAF every year, the account will show a year-end balance below $50K.[8] In this scenario, the payout rate would be 99% and the account would be categorized as small.

FIGURE 6.3: DISTRIBUTION OF ACCOUNTS' FOUR-YEAR AVERAGE PAYOUT RATES BY SIZE GROUP



SECTION 7

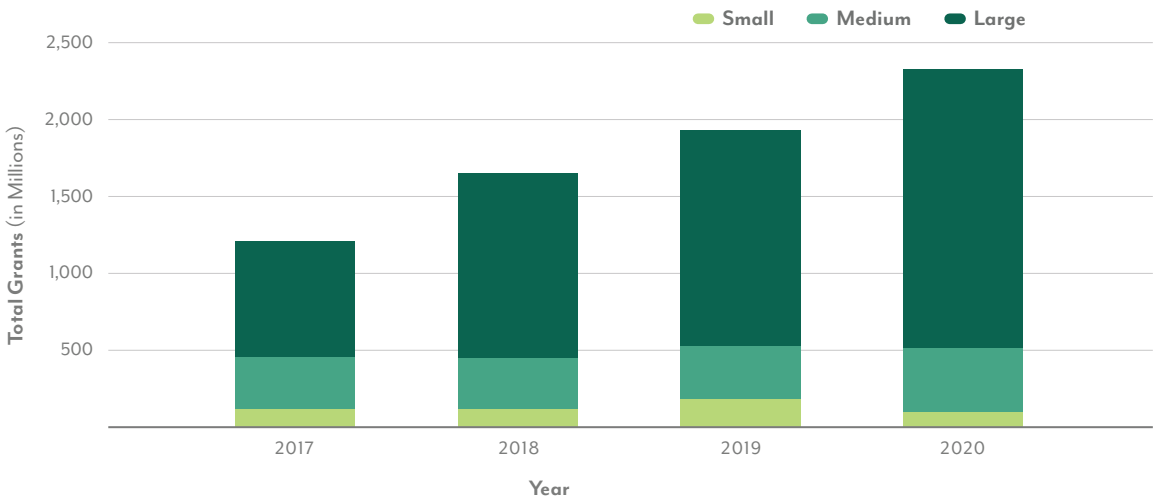
DAF Activity in 2020

The year 2020 placed unique challenges on the nonprofit sector and philanthropic institutions. Several reports have indicated that DAF grantmaking increased during 2020 in response to the COVID-19 pandemic. National Philanthropic Trust (2021) reported a $7.4B increase (or 27%) in total grants from 2019 to 2020. The DAFRC dataset allows for an analysis of which types of accounts made changes to the giving in 2020.

7.1 Grantmaking

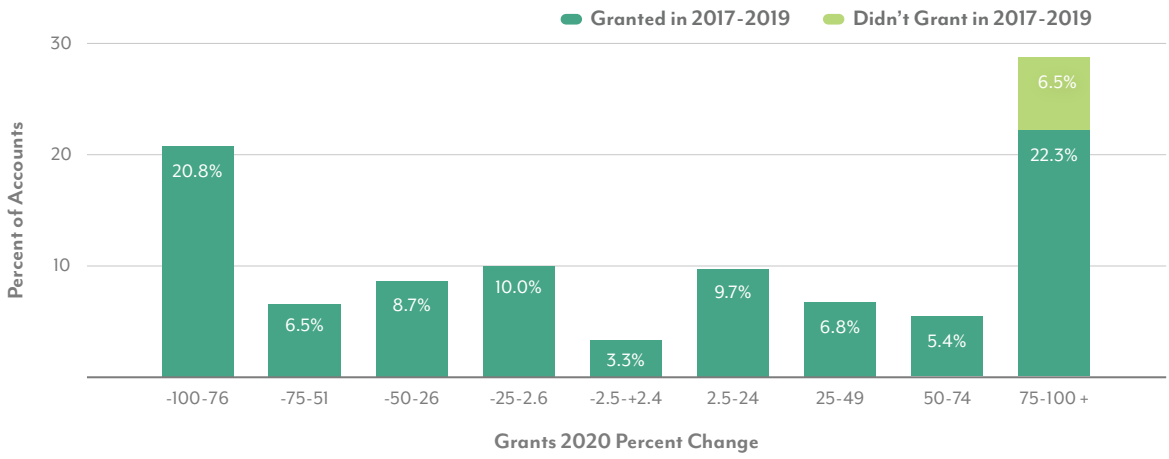
Increased demands on nonprofit organizations in 2020 called for increased donations. Many donors chose to use their DAF to make grants. It is also possible that some donors increased donations through other means, such as direct donations, which would not be captured here. This analysis looks at changes in total DAF grantmaking by the size of accounts. Grantmaking amounts in our sample nearly doubled between 2017 and 2020, going from $1.2B to $2.3B. Figure 7.1a shows that most of the increase in grantmaking over time, and especially in 2020, came from large accounts[9]. Large accounts were responsible for 86% of the grantmaking increase between 2019 and 2020. Overall, these accounts increased their grantmaking 142% since 2017.

FIGURE 7.1A: CHANGE IN TOTAL GRANTMAKING BY SIZE GROUP



Taking a closer look at 2020, Figure 7.1b shows that many DAF accounts made grants in 2020 that had not made grants in the previous three years. These previously inactive accounts make up about 1 in 4 of the accounts increasing their grantmaking by 75% or more.

FIGURE 7.1B: CHANGES IN 2020 GIVING BY PREVIOUSLY ACTIVE AND INACTIVE ACCOUNTS



7.2 Number of Grantees

In addition to increasing the total dollar amount of grants, donors may have changed the number of recipient organizations, or grantees, receiving grants. Figure 7.2 shows a similar pattern as grant amounts in 7.1a. Again, more accounts increased the number of grantees than decreased grantees, and large accounts were more likely to increase the number of grantees. More than half (53.2%) of large accounts increased the number of grantees in 2020.

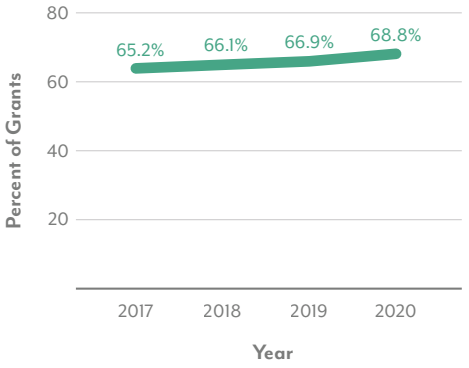
TABLE 7.2: CHANGE IN NUMBER OF GRANTEES BY SIZE GROUP

AccountSize	Small	Medium	Large	Total
Inactive in both	17.5%	11.3%	10.1%	13.9%
Fewer grantees in 2020	42.0%	34.6%	30.4%	37.4%
Same grantee count in 2020	6.5%	6.2%	6.4%	6.4%
More grantees in 2020	34.1%	47.9%	53.2%	42.4%
Total	100%	100%	100%	100%
	(4,825)	*(5,046)*	*(1,207)*	*(11,078)*

7.3 Type of Grants (General Operating vs Restricted)

One topic of interest in relation to DAF giving in 2020 was the level of unrestricted, general operating grants being made from DAFs. General operating grants were encouraged to allow recipient nonprofits to have more flexibility with the use of funds during a crisis. Figure 7.3 shows that the percent of unrestricted grants has increased every year since 2017. While there was an increase in general operating grant transactions from 67% in 2019 to 69% in 2020, this increase follows the four-year trend, starting at 65% in 2017.

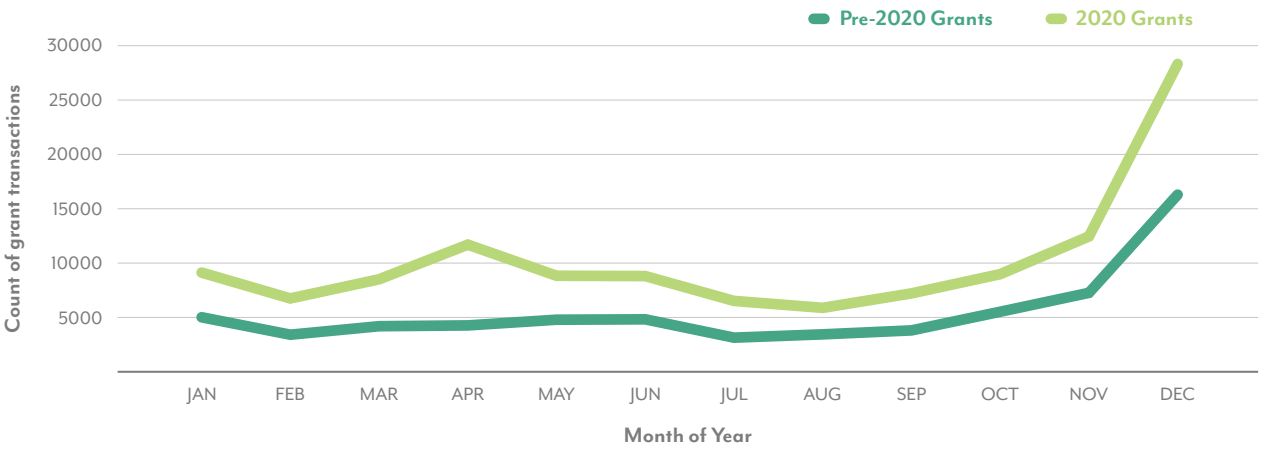
FIGURE 7.3: CHANGE IN GENERAL OPERATING GRANTS



7.4 Timing of Grants

The timing of grants can be critical for organizations that are responding to emergency situations and crises, like the outbreak of the COVID-19 pandemic. Figure 7.4 tracks the total number of grants in 2020 compared with an average of the prior three years. A spike in grants can be seen in April 2020 (a critical pandemic month) amid a consistently higher number of grants throughout the year. The comparatively large increase in grants during December 2020 suggests that grants made earlier in the year did not replace year-end grants.

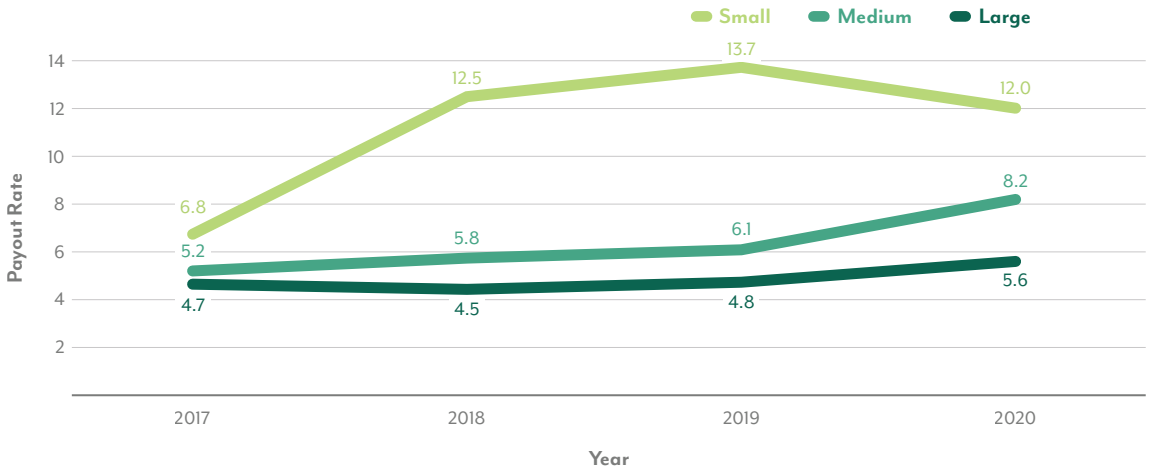
FIGURE 7.4: TIMING OF 2020 GRANTS



7.5 **Payout Rates**

The median payout rate for all accounts in the data has increased from 5.3% in 2017 to 8.4% in 2020. Figure 7.5 presents median payout rates over four years by size group. While small accounts had consistently higher payout rates during the four-year period, their trend declined from 2019 to 2020. The median payout rate for medium and large accounts slightly increased from 2017 to 2019, and then increased substantially in 2020. Again, this finding indicates that medium and large accounts had more slack, or capacity, to respond to increased demands on the nonprofit sector during the events of 2020.

FIGURE 7.5: PAYOUT RATES OVER TIME BY SIZE GROUP



SECTION 8

Discussion and Conclusions

Donor-advised funds facilitate a wide range of philanthropic activity. Account-level data from the DAF Research Collaborative shows that DAF accounts differ in important ways. In addition to size and payout differences, DAF accounts exhibit a variety of endowment structures, have donor advisors with different demographics, and exhibit different patterns of contribution and grant activity. Documenting the prevalence of each of these characteristics and the relationships among them provides insights into larger DAF trends, including the growth of DAFs over time and changes in giving during the 2020 pandemic and economic recession.

DAFs follow common patterns of financial behavior and financial resources observed elsewhere in the philanthropic sector. A relatively small proportion of DAF accounts holds most of the assets and is responsible for most of the grantmaking. As such, aggregate statistics can be overly responsive to the behavior of outlier accounts. These accounts play an outsized role in the total impact of DAFs, but do not necessarily represent the typical DAF—the focus of this report.

The typical DAF has assets under $1 million and is equally likely to be a small-sized DAF with assets under $50,000 or a medium-sized DAF with assets between $50,000 and $1 million. A great many DAFs were opened in the past 4 years, although around half of DAFs that existed in 2020 were opened in 2012 or earlier. While the typical DAF is not formally endowed, around one in 10 DAFs are formally endowed and other DAFs operate as if they were without a formal endowment agreement with the sponsor. Most DAFs have one or two donor advisors, who are equally likely to be female or male and are most typically around 60-75 years of age.

Similar to other forms of charitable giving, DAF contributions peak at year-end. However, grantmaking followed a slightly flatter pattern throughout the year. Donors are thinking about the timing of their contributions into the DAF differently than when they think about making grants. Without any tax incentives for grantmaking, donors may be more responsive with their grants to the timing of nonprofit needs. This was evidenced by the bump in grants from DAFs in April 2020, during the outbreak of the COVID pandemic, but the same may be true on a more account-by-account basis.

Payout rates varied widely among DAF accounts. A substantial portion of DAF accounts (15%) had a zero payout rate over four years, and another 20% had less than a 5% payout rate. Many of these lower-payout-rate DAFs were endowed. More research will be needed to understand DAF donors that grant a relatively low portion of their assets compared to other DAF donors. The remaining two-thirds of DAF accounts showed a wide range of payout rates, indicating that DAFs support a wide range of philanthropic strategies.

While analyses driven by outliers should be avoided, understanding the typical large DAF is also useful. Large accounts were more likely to be endowed and were more likely to have lower payout rates. Large accounts also grant more consistently, following an endowment model, whether they were designated as endowed or not. Notwithstanding the relatively slower grantmaking from large accounts, they were more likely to increase their grantmaking in response to the increased demand in 2020.

During 2020, DAF grantmaking increased both during the immediate beginning of the pandemic in April and at year-end. Aggregate 2020 increases in total DAF grantmaking were driven by large accounts. Some of the changes seen in 2020 from DAFs, such as the increase in payout rates and the increase in General Operating funds, were the continuation of trends in DAFs over several years.

Summary statistics that lump all DAF donors together miss the variation of DAF strategies, which this report helps to disentangle. In the end, there is no "typical" DAF donor. There are several types of DAF donors. Future research will take advantage of the unique nature of the DAFRC data set to explore the typology of DAF donors more deeply and uncover relationships between account and donor characteristics and account-level behaviors.

Understanding the patterns and complexities of DAF behaviors requires multiple measures of DAF activity. While year-end assets alone may seem to indicate the philanthropic capacity of an account, combining this measure with information about contributions and grantmaking throughout the year can provide a better description of the actual and potential philanthropic impact of that account. Similarly, single-year snapshots do not sufficiently capture DAF behavior, because of the flexibility of DAF use and the multi-year, lifecycle nature of DAF funds.

The intricacies of the data used for this report have revealed the tremendous variety of the types of DAF accounts and the types of DAF activity. Given the findings from this report, management decisions and public discourse around DAFs will need to consider the differences in DAF structures and the variety of giving behaviors supported by DAFs. Aggregated DAF statistics will continue to provide important, macro-level perspectives on the growth of the DAF subsector. IRS data will continue to be useful for tracking the performance of DAF organizations. However, individual data on DAF donors will be needed to make more informed conclusions about the use, management, and regulation of DAF activities.

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Endnotes

1 Definition used by Williams and Kienker in Council of Michigan Foundation report (2021). "Beginning assets" are the end-of-year assets from the previous year.

2 Accounts with only two donor advisors may still facilitate next-generation involvement, with a widowed or single parent. Accounts with more than two donor advisors may have non-family members, such as professionals, acting as authorized advisors. However, the findings still indicate that a substantial proportion of DAF accounts likely involve additional family members.

3 Only one organization collected non-binary gender, and only one account reported a donor advisor with non-binary gender, so this group was not included in the analysis.

4 Outliers are not included in these figures, although it is unclear how outliers might skew monthly grantmaking patterns.

5 All grants were categorized as either "General Operating" or "Restricted". Some DAF sponsors already categorized their grants. However, most of the data on grant types came as text entries from donors when grants were made. Entries included common phrases such as "My annual fund donation", "In memory of…", "For the ____ project", or "for the ____ scholarship". A natural language processing algorithm was developed specifically for this DAFRC data field. The algorithm was iterated and tested against a validation set. The final algorithm was found to have a frequency weighted accuracy of 94.4%.

6 Opening contributions were defined as all contributions within 90 days of the account opening, or initial contribution transaction. This is to capture opening contributions that may involve multiple transactions.

7 Estimates for shelf life do not account for investment returns.

8 A donor with this exact giving pattern of giving $5M through the DAF every year while maintaining a low account balance was found during interviews with DAF donors (Heist et al, 2021).

9 Like other analyses of aggregates using the DAF dataset, the exclusion of outliers is likely to affect the specific numbers, but not the trends, in the data set. Assuming that excluded outliers are somewhat similar to other very large accounts in the present data, a more complete data set would likely reflect an even greater proportion of 2020 grants coming from large accounts.

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