EXECUTIVE SUMMARY

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

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Executive Summary

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. Previous DAF research has typically used data from the IRS Form 990 or from surveys, but these sources cannot provide a comprehensive and accurate description of DAF giving at the account level.

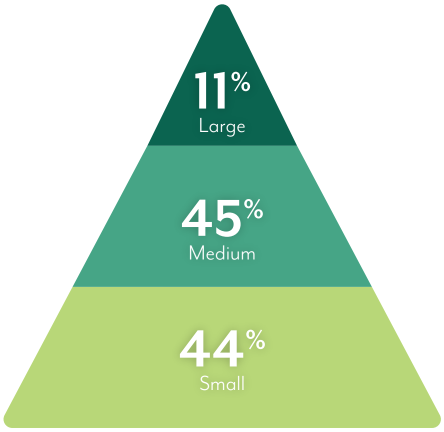
The Donor-Advised Fund Research Collaborative has collected first-of-its-kind data on the characteristics and giving behavior of DAF accounts. This dataset includes 13,000 accounts and records their activity from 2017 to 2020. These accounts are drawn from 21 community foundations and religiously-affiliated 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.

This report presents initial analysis and findings from the DAFRC dataset. The analysis includes information on account characteristics, donor advisor characteristics, contribution behaviors, grantmaking behaviors, payout rates and other measures of speed of giving, differences in giving by account size, and differences in giving over time. The findings support four key themes:

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.

PERCENT OF DAF ACCOUNTS BY SIZE GROUP



Percent of DAF Accounts

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

- 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.

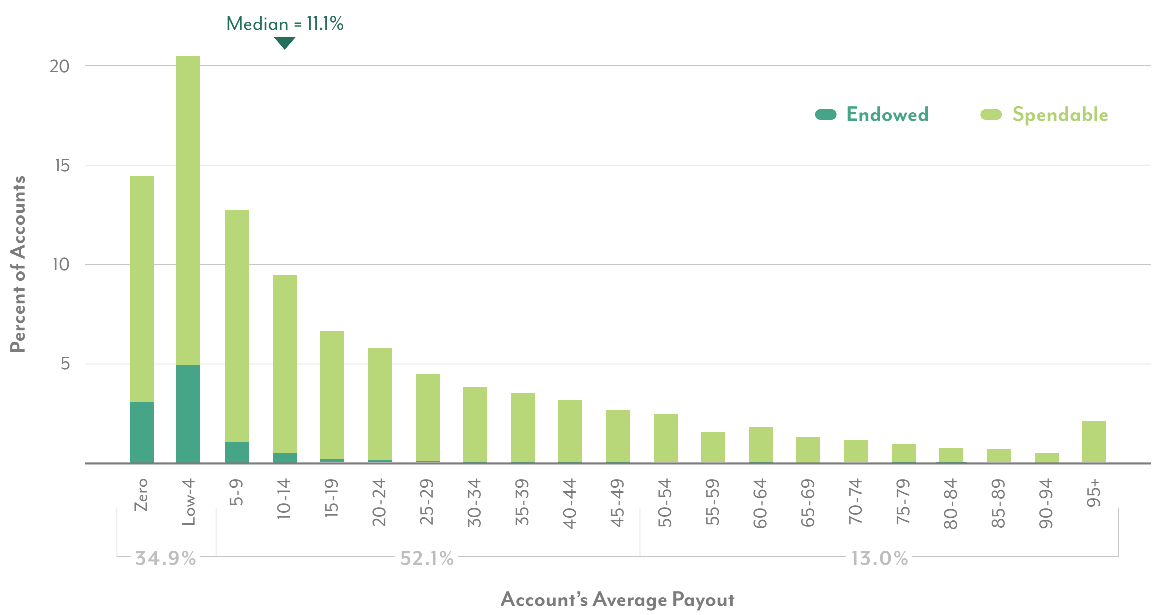
- Both individual and family giving can be facilitated through DAFs. Approximately 12% of accounts had 3 or more donors, which is an indicator of multi-generational philanthropic involvement.

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.

- The median four-year average 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.

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

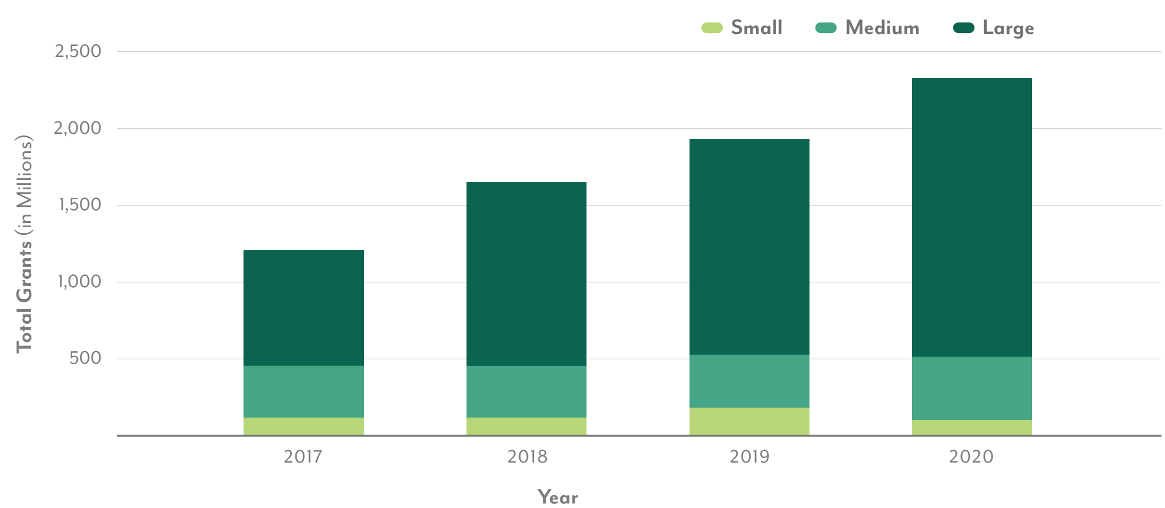


- In a typical year, 71% of DAF accounts made a grant. Over the four-year period, 86% made at least one grant. This is reflective of a broader trend whereby donors are less conscious of the calendar year when making grants.
- Most new DAFs do not grant out in their first year - 59% of DAFs opened in 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 median payout rates but more consistent grantmaking. They were also more likely to increase grantmaking in 2020.

CHANGE IN TOTAL GRANTMAKING BY SIZE GROUP



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.

Ultimately, this report highlights the importance of understanding DAF giving at the account level. Given the findings from this report, management decisions and public discourse around DAFs will need to consider the differences in types of DAFs and the variety of giving behaviors supported by DAFs. Giving will need to be understood as part of a multi-year lifecycle, rather than a single-year snapshot. While DAF statistics aggregated at the organization level will continue to provide important, macro-level perspectives on the growth of the DAF subsector and DAF sponsor organizations, individual data on DAF accounts will be needed to make more informed conclusions about the use, management, and regulation of DAF activities.

For a copy of the full report, please visit https://www.dafresearchcollaborative.org/dafrc-research