

Donor Advised Funds (DAFs)

A DAF is a charitable giving account that allows you to make a donation, receive a tax deduction today, and distribute funds to charities over time.

HOW IT WORKS:

- **Contribute appreciated investments** (such as PG preferred shares) to a DAF.
- **Receive a charitable tax deduction in the year of the contribution.**
- **Recommend grants to charities anytime in the future.**

Funds inside the account can remain invested and potentially grow tax-free until they are granted to charities.

WHY CLIENTS USE THEM

- **Tax efficiency** – Donating appreciated investments may allow you to avoid capital gains taxes while still receiving a deduction for the full market value.
- **Bunching charitable deductions** – Instead of giving smaller amounts each year, you can contribute several years of charitable giving at once to potentially maximize the tax benefit.
- **Flexibility** – You receive the deduction today but can distribute donations to charities gradually over time.

WHEN THEY CAN BE MOST HELPFUL

A DAF can be especially helpful in **higher-income years**, such as when you:

- Exercise stock options
- Coordinated with stock sales (ie: realized capital gains) or Roth conversions
- RSU's vest

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EXAMPLE:

Charitable Tax Planning takes advantage of itemized deductions vs. Standard Deduction. Beginning in 2026, charitable deductions are only allowed above 0.5% of Adjusted Gross Income (AGI).

→ AGI: \$300,000 MFJ (0.5% threshold: first \$1,500 of gifting not deducted)

SCENARIO 1:

Contributor would take Standard Deduction of \$32,200 (no benefit of charitable gifts)

NO DAF (\$10K ANNUAL CONTRIBUTION)	
DEDUCTION	AMOUNT
SALT	\$10,000
Mortgage Interest	\$3,000
Charitable (un-bunched)	\$8,500
Totals	\$21,500

SCENARIO 2:

Contributor would get itemized deductions of \$61,500 in year of contribution and then revert back to standard deduction in future years

DAF (LUMPING 5 YEARS OF \$10K GIFTS)	
DEDUCTION	AMOUNT
SALT	\$10,000
Mortgage Interest	\$3,000
Charitable (bunched)	\$48,500
Totals	\$61,500

Any case examples referenced are provided for informational and illustrative purposes only to demonstrate potential uses of donor-advised funds (DAFs). These examples are hypothetical and do not represent the experience of any specific client. Individual tax circumstances vary, and the tax benefits associated with charitable strategies may differ for each person. Readers should consult with their tax advisor or other qualified professional regarding their specific situation before implementing any strategy.