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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**