Donor-Advised Fund vs. Private Foundation

A high-level comparison of two common charitable investment vehicles, both of which may provide immediate income tax benefits, while allowing for long-term tax-free growth

Private Foundation (PF)

- Separate legal entity, must be approved by IRS as independent 501(c)(3). Not a public charity
- Receives funds from one or few sources, such as an individual, family or corporation
- Board responsible for all administration, accounting, fiduciary oversight, IRS reporting, and grant making

Donor-Advised Fund (DAF)

- Separately managed charitable investment account managed by a 501(c)(3) public charity (sponsoring organization)
- Most favorable income tax deduction upon contribution
- Donor (client) recommends grants; DAF sponsor responsible for determining the qualification of the recommended grant

Considerations	DAF	PF
Start-Up Time	Immediate	Several weeks or months
Start-Up Costs	None	Legal (and other) fees
On-Going Fees (avg.)	0.85% or less + IM fees	7% per year (avg.)
Tax Deduction Limits (cash)	60% of adjusted gross income[1]	30% of adjusted gross income
Tax Deduction Limits (Stock or Real Property)	30% of adjusted gross income	20% of adjusted gross income
Valuation of Gifts	Fair market value[2]	Fair market value (publicly traded stocks), cost basis of others
Required Grant Distribution	None	5% annually
Excise Tax on Investment Income (annually)	None	1.39% of net investment income
Privacy	Grants can be anonymous	Returns are public, list details on fees, staff etc.
Administration	Managed by Sponsoring Organization	Board manages assets, recordkeeping, due diligence, grant making, annual IRS filing, meeting minutes
Legacy	Determined by sponsor's options for succession planning.	Can be passed down through generations

[1]Expanded under the Tax Cuts and Jobs Act of 2017. Currently scheduled to revert to 50% on 1/1/26. [2]Art and collectibles where there is no "related use" subject to cost basis deduction.

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