

## Why Charities Need to Start Thinking Beyond Donor-Advised Funds by Susan Saxon-Harrold, CEO, CAFAmerica

These are tough times for charities. Part of the problem is that individuals with donor advised funds (DAFs) have less to contribute. Others who have been contemplating the creation of DAFs now are getting cold feet in the face of the slumping stock market. Some reports indicate that inflows to commercial donor advised funds are down by a quarter or more this year.



But this does not mean that those already in DAFs or now sitting on the DAF sidelines have to ignore the plight of charities that are strapped by declining donations.

Here at **CAFAmerica**, we have noticed that donors are tempted in hard economic times to make more single gifts to overseas charities than regularly giving out of a donor advised fund. Given that charities at home and abroad always see an increased demand for their services during a recession, we encourage individuals to give in whatever way they can — either through a DAF or a single donor advised gift (DAG).

While more and more individuals and foundations have come to learn of DAFs, the DAG option is still a mystery to many. A single donor advised gift made through an organization such as CAFAmerica is an easy way to support a charity without being tied into giving regularly. Indeed, the DAG may be a more attractive proposition for the donor who still has the urge to give...even though there may be less wealth to share in these difficult economic times.

In good or bad economic times, the DAG route offers a much wider range of choices to donors. Single gifts allow individual and foundation donors to make a smaller number of grants, on a schedule or as desired; are a compliment to services provided by professional advisors; and are a resource for companies to support a variety of causes.

But the appeal of single donor advised gifts is perhaps clearest when belt tightening is an imperative. DAG participants may be able to give as little as \$500 at a time. (Compare that to most commercial DAFs, with a minimum gift of \$20,000 and a minimum grant of \$5,000 - \$10,000.) Further, there is less of a commitment with a DAG because it is not a regular/planned gift, which means that a DAG gives donors maximum flexibility when the economy turns sour.

Those who may have their doubts about what DAGs can do should consider the story of Julian Taplin, who gave \$23,000 in donor advised gifts through CAFAmerica to the Beijing-based **China Youth Development Foundation** and its "Hope Schools" program.

As part of a team of United Nations consultants, Dr. Taplin first learned about Hope Schools while in China in 1998. The China Youth Development Foundation in Beijing, a Chinese nonprofit and CAFAmerica grant recipient, addresses education issues in poverty-stricken rural areas in China in part by constructing schools through donor support of their Project Hope program. Taplin partnered with CAFAmerica and an associate in China to fund the construction of a CYDF DaWo Hope School in Sichuan.

Children in the region, from predominantly immigrant Tibetan families, had been attending a school in a rundown temple with minimal supplies and instruction. Taplin's donor advised gifts through CAFAmerica paid for eight new classrooms and Internet facilities in the new school building. His support encouraged the local government to fund an additional four classrooms, meaning not only better facilities for the children but also more jobs for the community. His commitment even inspired local families to make whatever tiny donations they could afford toward the construction of the new school.

While it is true that \$23,000 in donor advised grants is not the same as a \$200,000 distribution through a sizable DAF, there is no escaping the fact that many charities are already in a position where \$23,000 in DAGs means much more to them today than it would have just a year or two ago.

It's time to face up to the reality that we may not return to the heyday of DAFs for some time.

Many traditional DAFs have investment options that are looking less than attractive in the context of today's stock market. With the market swinging between 8,000 and 9,500 on the Dow, opening a DAF and committing funds to it can be a genuinely hair-raising proposition. Many wealthy donors with DAFs already in place cancelled gifts this year when their portfolios lost value. Even some ultra-wealthy donors are becoming cautious and spreading out their gifts over the course of the year, rather than doling them all out at once.

The impact of the current economic downturn is putting the pinch on charitable giving. The tough times are likely to continue well into 2009...and possibly even beyond. Donor confidence has been shaken by the financial crisis and many charities are seeing a reduced commitment from their donors. Because there are so many unknowns in terms of how the recession will play out, making a single donor advised gift is a good way for donors to stay involved with the causes that matter to them the most. And charities concerned about donor retention would be well advised to encourage individuals and foundations to remain engaged in any way they can afford to do so.

*As the leader in borderless charity, **CAF America** helps companies, family and community foundations, and individuals to manage their international philanthropy efforts and strengthen charitable activity around the world. It also advises on fundraising and grantmaking matters, provides online account management, and offers an online giving mechanism for nonprofits to place on their Web sites.*

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