Donor-Advised Funds... What’s all the hype?

Chris Carnal, President & CEO
TIAA Charitable
Are You A Difference Maker?
A Difference Maker is...

1. Remarkable
2. Generous
3. Always Creating Art
4. Impossibly Good at Their Job
5. Indispensable
What is a Donor-Advised Fund? Imagine your University-sponsored Giving Fund serving your donors.

An easy way to amplify charitable impact... with industry-leading features offering flexibility, connectivity and service.

**Contribute**
Donors contribute cash, stock or complex assets to their Giving Fund and are eligible for the most favorable tax treatment available that year.

- **Low minimum contribution** ($5,000 initial; $250 additional)
- **Variety of contributions options** (cash; securities; complex assets)
- **White glove service**

**Grow**
While donors decide which charities they want their Giving Fund to support, contributions are invested and all growth is tax-free.

- **Single solution and mix-and-match investment approaches** (18 funds)
- **SRI investment options**
- **Institutional Share Class**
- **Low investment management fees** (5-56 basis points)

**Give**
Donors may use their Giving Fund at any time to support favorite charities or find a new cause. TIAA Charitable does all the paperwork.

- **Low minimum grant level** ($50)
- **No granting fees** or maximums
- **GuideStar** online access
- **Acknowledgement vs anonymity**
- **Recurring grants feature**
- **Minimum gift percentage designated** for your institution

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1. Investment fees are as of December 31, 2017
Donor-advised funds continue to take a prominent place among the largest charities

Six of the fourteen $1B+ U.S. Charities were DAFs in 2016 ... with Fidelity Charitable Gift Fund ahead of the United Way for the 2nd year
The country’s top higher education fundraisers are increasingly leveraging DAFs

Top 20 Institutions in terms of funds raised, 2016 (Millions)

- Indiana University
- University of Notre Dame
- Ohio State University
- Northwestern University
- Massachusetts Institute of Technology
- University of Michigan
- University of Chicago
- New York University
- University of California-Los Angeles
- Duke University
- Yale University
- University of Washington
- University of Pennsylvania
- Columbia University
- Cornell University
- University of California-San Francisco
- Johns Hopkins University
- University of Southern California
- Stanford University
- Harvard University

Source: 2016 Voluntary Support of Education (VSE) report and TIAA Charitable research

TIAA Charitable

Prepared for the 2018 University of North Carolina System Advancement Symposium
Donor-advised funds are overwhelmingly becoming the giving vehicles of choice

2016 DAF Stats

• With 7 consecutive years of growth in all key metrics, contributions and grants hit all-time highs
  ▪ $23.3B (8% of total U.S. individual giving)
  ▪ $15.8B (up 10.4% YOY)

• Individual DAF accounts grew to over 285k accounts (up 7% YOY)
  ▪ In every state + DC, Puerto Rico, and the Virgin Islands

• In 2015, Fidelity Charitable unseated the United Way as the largest U.S. charity

• Annual grant payouts have exceeded 20% per year since National Philanthropic Trust started tracking

Donor-advised fund growth vs other giving vehicles

<table>
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<th>2014</th>
<th>CAGR</th>
<th>2016</th>
<th>CAGR</th>
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<tr>
<td>Donor-advised funds</td>
<td>$31.85</td>
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<td>Charitable remainder unitrusts</td>
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<td>Charitable lead trusts</td>
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<td>Pooled Income funds</td>
<td>$1.28</td>
<td>$1.21</td>
<td>-1%</td>
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</table>

$678.70  $879.64  7%

CAGR: compound average growth rate. Note: as of its 2016 Report, NPT ceased to publish estimates for unitrusts, annuity trusts, lead trusts and pooled income funds.

Industry trends favor both DAF growth and institutional client need, with room for your Institution

Giving trends
- Individuals account for 72% of U.S. giving, or $361.9B (up 3.9%, 2015)
- Demographic shifts fuel DAF growth
  - $12T is shifting to the “Baby Boomers”
  - $30T will transfer from Baby Boomers to their heirs in 2016+, with an expected $6T to charity
- Unclear how much 2017 tax reform will dampen giving, however, *bunching* strategies must be considered

DAF trends
- DAFs are the fastest growing giving vehicle in the U.S.
  - $23.3B in 2016 contributions (8%+ of individual giving)
  - Six-year CAGR of 18%
  - YOY individual accounts growth of 7% (to over 285k)
- National DAFs are fastest growing: FC at $8.6B

Fundraising trends
- Fourteen of the top 20 higher education fundraisers offer a DAF
- Environmental trends are causing increasing financial pressures*
  - Costs of Advancement are up
  - Enrollment and state funding may be down
  - Challenging business models testing financial stability
- Fundraising is a key concern for higher education’s most senior leaders
  - Presidents’ primary use of time: Fundraising 58%
  - 65% of presidents believe fundraising/alumni/donor relations is among top 3 most important responsibilities
  - 50% believe fundraising has increased in importance since assuming their role
- Overall U.S. bequests are down (9%)

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TIAA Institute, Achieving Success in Postsecondary Education: Trends in Philanthropy (June 2017)
2017 ACE American College Presidents Study

Prepared for the 2018 University of North Carolina System Advancement Symposium
Benefits for you and your donors

**College-sponsored DAFs can**
- Help donors manage their overall charitable giving
- Facilitate both annual and planned giving to your Institution
- Increase knowledge of and communication with donors
- Increase monetary support by donors

**Attractiveness of a college-sponsored DAF for your donors**
- Appeals to donors’ loyalty and passion for your mission and programs
- Simplifies the annual giving process by facilitating recurring gifts
- Facilitates planned giving and giving level memberships

**Benefits of a college-sponsored DAF for you**
- Deepens relationship with donors
- Increases your capture of fundraising dollars
- Facilitates annual giving
- Facilitates planned giving
- Mitigates 3<sup>rd</sup> party involvement in giving
- Confirms donor commitment
“Bunching” deductions with a donor-advised fund

Your client and her spouse donate $10k to charity annually. In the past, they were able to itemize and deduct those charitable donations.

Post tax-reform, barring any changes in their situation, they may no longer itemize deductions, and may not realize any tax benefit from their contributions. Here’s why:

- The standard deduction has doubled, from $12k to $24k if married, filing jointly.
- Multiple miscellaneous deductions were eliminated, and SALT\(^1\) deductions were capped – so their typical $10k donation, combined with other deductions detailed below, fall below the $24k standard deduction.

Solution: “Bunch” deductions with a donor-advised fund (DAF).

Instead of giving $10k each year to charity, they could consider opening a DAF and prefunding multiple years of donations into one tax year. They might be able to itemize in the year of the donation which would allow them to take advantage of the deduction.

- Why? Let’s assume they prefund their DAF with 3 years worth of donations. Three years of giving ($10k x 3 = $30k) exceeds the $24k standard deduction.
- Plus, now that they’re itemizing, they can add their mortgage interest ($3k), SALT ($10k), plus medical and other deductions in their bunching year, potentially increasing the amount they itemize to $43k\(^^2\).

Result: Increased tax deductions in Year 1 of at least $19k\(^^2\)!

- Year 1 itemized deduction has the potential of at least $43k\(^^2\).
- The $30k donation (3-year accelerated giving example) is invested with the potential to grow tax-free.
- They can make grant requests from the DAF anytime in the future to support favorite charities.
- Consider saving for the next “bunch” by setting $10k aside per year in a brokerage account, so future DAF contributions can be in the form of long-term appreciated stock.

\(^1\)SALT: State and Local Tax; \(^2\)assumes AGI>$167,000 for a cash gift, or >$100,000 for long-term appreciated assets.
How it works – TIAA Charitable serves your institution

**Administrative features:**
TIAA Charitable handles all front-line donor servicing and back office operations.

**Charitable compliance features:**
TIAA Charitable acts as the underlying 501(c)(3) charity.

**Investment features:**
TIAA Charitable offers a wide range of strategies with funds managed by TIAA’s asset management arm, Nuveen.

**Fundraising features:**
TIAA Charitable supports your fundraising activities.

**Philanthropic services and donor education:**
TIAA Charitable supports your fundraising staff, who retain primary relationship with supporters.
Imagine Your Own Branded Giving Fund

A turnkey, fully branded donor-advised fund that enables you to easily provide a low-cost program for your supporters. The Giving Fund would be branded with your name and be fully managed by TIAA Charitable.

TIAA Charitable would handle the website, phones, account administration, investment, grant processing and tax paperwork... so you can focus on your donors.

**Cost.** Competitive administrative fees and low investment management fees assessed to the donor accounts means more money for your university and for charity.

**Personalized donor experience.** Fully branded website and dedicated Giving Fund call center to support donors’ philanthropic passions – for your institution and other charities.

**Complex Asset Support.** Provide additional levels of support for your donors wishing to contribute property, business interests and real estate.

1. Or 100% should no additional successor donors be designated.
“A thriving university consists of well organized Difference Makers working, in concert, creating more value collectively than any individual ever could.”
Do You Want to Become More of A Difference Maker?
Becoming More of a Difference Maker

1. Understanding the full philanthropic mission of your donors – it is not financial planning
2. Education Institutions are where Philanthropy should be taught and its social impact discovered
3. Practice your Art on a different canvas
4. Become Indispensable
5. Encourage the poetry in the hearts we touch
Join Us thru TIAA’s Difference Maker 100

Difference Maker 100

Awarding $1 Million for a Better Tomorrow

To mark 100 years of helping those who do good do well, TIAA is recognizing 100 people who work for nonprofit organizations and are having a positive impact on the world. Tell us your story for the opportunity to receive $10,000 to help support the nonprofit where you’re making a difference. That’s $1 million in donations to 100 of you to keep up the good work—for the next 100 years.

Are you making a difference?
Know someone who is?

Get Started

46 days | 11 hours
until June 12th deadline
All contributions to the Giving Fund are irrevocable contributions to TIAA Charitable. All grant recommendations from donors are subject to review and approval by TIAA Charitable.

TIAA Charitable is the brand name for an independent public charity that maintains a donor-advised fund program. The TIAA name is a registered mark of Teachers Insurance and Annuity Association of America and is used by TIAA Charitable pursuant to a license.

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