

Comparing private foundations and donor-advised funds



Provided here are important criteria for deciding whether to use a donor-advised fund or private foundation for long-term strategic giving. Note that some donors elect to use both. Visit vanguardcharitable.org to learn more.

	Private Foundation	DAF at Vanguard Charitable
Taxes	Reduced tax deduction available for gifts	↔ Maximum tax deduction available for gifts
	Cash gift: 30% of AGI; Securities: 20% of AGI	↔ Cash gift: 60% of AGI; Securities: 30% of AGI
	Cost-basis deduction only for non-publicly traded assets	↔ Fair market value deduction for non-publicly traded assets
	Excise tax: 1.39% on net investment income	↔ Tax-free investment growth
Creation and funding	Required to register with state and receive IRS eligibility	↔ Established quickly and easily
	Funded with a variety of assets (including illiquid)	↔ Funded with a variety of assets (including illiquid)
Grantmaking features & flexibility	Self-provision granting services and due diligence or hire personnel to perform	↔ Granting services and expert due diligence provided by Vanguard Charitable
	Grant directly to individuals	↔ Grants to nonprofits that support individuals such as scholarship funds, hardship funds and missionary funds
	Can support complex grantmaking (expertise and staff likely required)	↔ Complex granting services offered, including grants agreements and recoverable grants (for Premier donors)
	Distribution requirements must be met annually	↔ Flexibility around grant timing and distribution
Investments	Wide-ranging flexibility with investments (expertise and staff potentially required)	↔ Menu of high-quality, low-cost investment options that span asset classes and the risk spectrum and are designed to maximize charitable giving
Legacy	Allows for giving in perpetuity	↔ Allows for giving in perpetuity
	Management can be passed on to next generation and/or private foundation assets can be granted to charities upon passing	↔ Advisory privileges can be passed to next generation and/or account funds can be granted to charities upon passing
Reporting	Self-provision annual reporting requirements or hire personnel to perform	↔ Reporting and recordkeeping provided by Vanguard Charitable
	Required to file annual 990-PF	↔ No annual reporting requirements for donor
Administration	Legally a standalone entity that is often controlled by a board of trustees	↔ Funds are legally owned and controlled by Vanguard Charitable
	Can employ staff including family members	↔ Can name family members as account advisors
	Administrative burden on private foundation	↔ Administrative burden on Vanguard Charitable
Privacy	Private foundation reporting is of public record	↔ Can determine level of recognition for each grant, including ability to make anonymous
Costs	Fees can range significantly and can decrease charitable output. Fees often include legal, grantmaking, investment, recordkeeping, accounting, administrative, and/or payroll	↔ Industry-leading low administrative and investment fees