

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