

An inside look:

15,330 donors who are giving to charity
with a donor-advised fund

10 years of giving more

Collectively, we know that donors who give to charity with Vanguard Charitable, a leading national donor-advised fund, are routinely recommending millions of dollars in grants to worthy nonprofit organizations.

Despite this astounding figure, questions remain externally about the effectiveness and charitable intent of donors who give with a donor-advised fund (DAF). Who are these individuals? Where are their charitable dollars going, and how much are they giving away? Are their goals altruistic or merely tax-driven? Do they care about impact? In summation, what difference does a DAF make?

To gain some perspective, we took a look back at 10 years of granting at Vanguard Charitable. Pulling data from 2004 through 2013, we analyzed the granting patterns of our donors based on the gender and generation-makeup, balance, and tenure of their accounts.

We also asked our donors and many of the charities they support what they think about giving with a DAF: Is philanthropy more strategic? Are donors and charities better giving partners?

Through our research, we found that DAFs (as represented by Vanguard Charitable) do make an impact in the way donors think about, plan for, and act on their philanthropy. Our donors support a diverse array of causes, are committed to fulfilling the needs of charities, and understand how simplified, long-term giving can positively impact their communities.

In addition, when giving with a DAF:

- 61% of donors are strategic about giving.
- 73% of donors are involved with the charities they support.

Give more

To “give more,” in the context of philanthropy, does not merely mean to donate more money. At Vanguard Charitable, we have a long history of working with donors who we believe give more by being thoughtful and intentional with their philanthropy, engaged with nonprofit organizations, and strategic about impact.

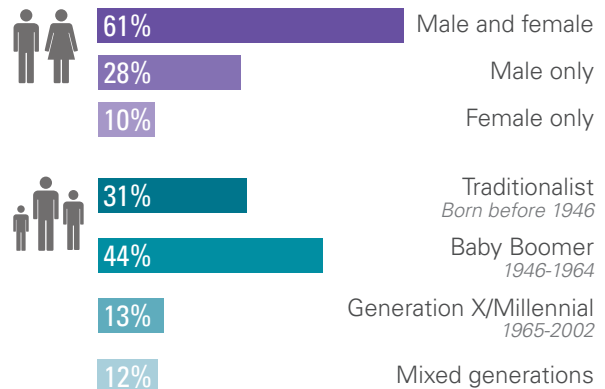
However, there is room to improve. Only 23% of nonprofit organizations are very familiar with how DAFs work, signaling to us that we need to educate on the benefits of giving and build stronger partnerships between donors and charities. Throughout this paper, we address these gaps in our current giving and offer several solutions, based on our years of experience and on feedback from charities and our donors who were asked what needs to be done to increase philanthropy in the United States.

Who are our donors?

As evidenced in their name, donor-advised funds (DAFs) are structured to allow individuals to advise how account assets are invested, managed, and granted. These advisors, or donors as we'll call them in this study, are able to recommend grants from an account to nonprofit organizations.

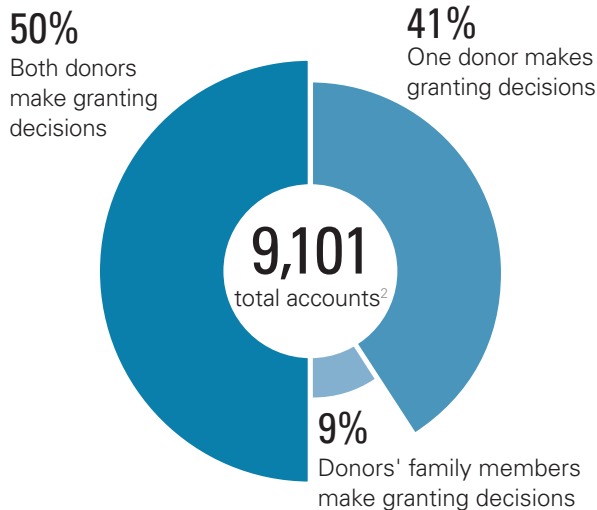
Donors can be the original contributors, family members, financial professionals, or others. They can be male or female, young or old. The key directive is that they must agree to use all charitable dollars to advance the public good—and not for individual benefit.

ACCOUNT MAKEUP BY GENDER AND GENERATION¹



GRANTING TOGETHER

An account may have a maximum of two donors with advisory granting privileges, but can involve others.



42% of accounts with Generation X/Millennial donors are male-only, higher than the overall distribution.

85% of donors were born before 1965.

1% of accounts are advised by a Traditionalist and a donor born after 1964.

ACCOUNT BREAKDOWN

10% compound annual growth rate of new accounts

2/3 accounts giving with Vanguard Charitable for 4 years or more

36% accounts with charitable balances of \$100K or more²

GIVING WITH A DAF VS. CHECK

56% of donors use a DAF for the majority (60-100%) of their giving.

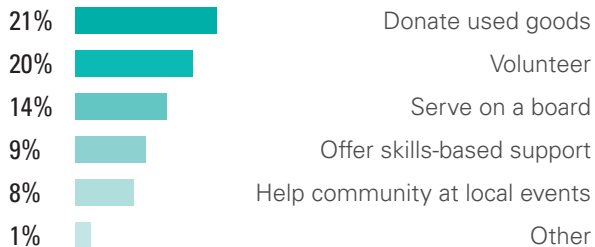


Nearly **12%** said they continue to use a check for the majority of their giving.

The ease and control of checkbook giving should be assessed against the convenience of managing deductions with a single charity receipt, tax-effectiveness of gifting appreciated securities, and additional impact that results from allowing invested charitable dollars to accrue.

PHILANTHROPIC INVOLVEMENT

90% of donors are involved in more than one type of philanthropy—a term that encompasses many meanings—including donating financial assets.



WHEN THE DONOR IS ANONYMOUS

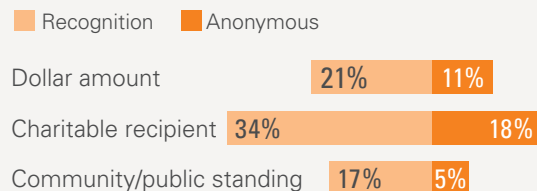
5% of grants are anonymous.



Anonymous grants issued by:

Male only	9%	Baby Boomer	7%
Female only	6%	Generation X/Millennial	7%
Male and female	4%	Traditionalist	3%

What makes donors more likely to grant with recognition or anonymously?



Nonprofit organizations consider anonymous granting a negative of working with DAFs. When granting anonymously, donors should continue to interact with charities, as this partnership is critical to the success of their philanthropy.

Give more: Advocate

Do you fit the donor-advised fund profile? Do you know if your neighbors, friends, and coworkers give with a donor-advised fund? Philanthropy is often a personal matter, meaning many of us may not know if and how others give. However, to increase charitable giving, donors have a responsibility to collaborate with others, educate them on best practices, and share charitable successes and failures.

By advocating for philanthropy in general—as well as our favorite causes and preferred giving tools—the general public will be better informed and more encouraged to give effectively.

How much are they giving away?

Donor-advised funds are widely viewed as generous giving tools that help donors grant a significant amount of money to charity every year. Vanguard Charitable grants 20.3% of assets to charity annually, but on an account basis, giving levels vary based on donors' individual strategies and goals.³

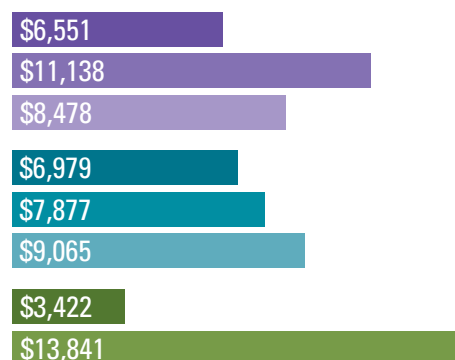
Donors may prefer to give regularly in equal amounts to their favorite charities, or perhaps they do not give in one year, in order to recommend a large grant for a major project in the following year.

Account demographic key

- Male and female
- Traditionalist
- Male only
- Baby Boomer
- Female only
- Generation X/Millennial
- Less than \$100K balance
- \$100K or more balance

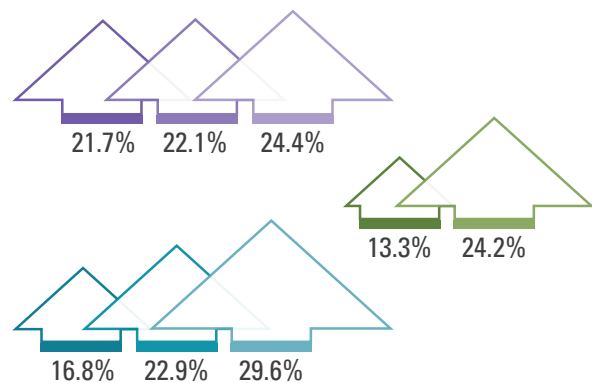
AVERAGE GRANT AMOUNT

The minimum grant from Vanguard Charitable is \$500. However, donors are recommending much more.

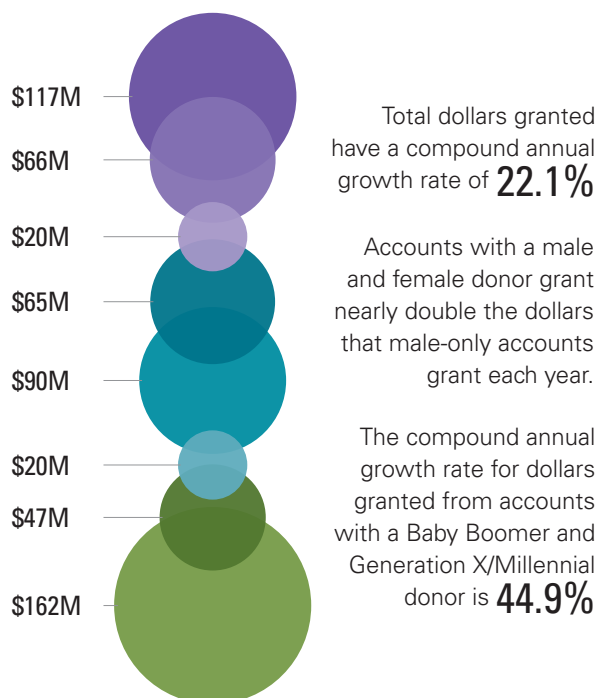


MORE DOLLARS GRANTED EVERY YEAR

Every year, donors are granting more to charity, evidenced by the compound annual growth rate of dollars granted.

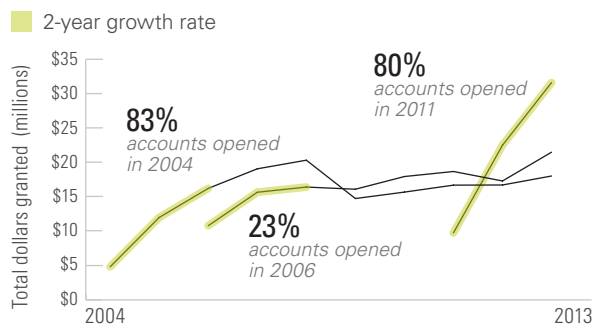


AVERAGE TOTAL GRANTED PER YEAR



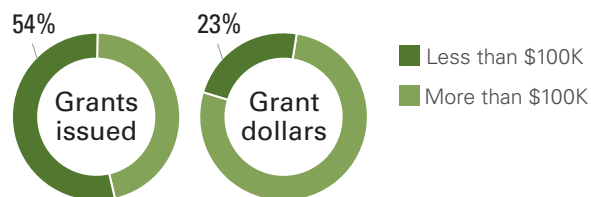
GRANTING FROM NEW ACCOUNTS

In the first two years after opening, accounts grant a large amount of money at an extraordinary rate. Heading into the Great Recession, dollars granted from new accounts saw significantly less growth.⁴



► Donor's perspective: MANY SMALL GIFTS VS. ONE LARGE GIFT

Accounts with higher balances tend to recommend fewer yet larger gifts to charity, while accounts with lower balances are making many, smaller grants.



► Charity's perspective: MANY SMALL GIFTS VS. ONE LARGE GIFT

Do nonprofit organizations prefer to receive many grants for smaller dollar amounts or fewer grants for larger dollar amounts?



63% prefer many small grants.

- Consistency helps the charity plan.
- A broad base of supporters lowers funding risks over the long-term.
- A community of donors is important because it means the charity's mission is viewed as valuable.
- May lead to large gifts over time.



37% prefer fewer, yet larger grants.

- Spend less time processing transactions and more time cultivating new donors and fulfilling the mission.
- Donors tend to be very committed to the charity's mission.
- Large gifts can be "game changers."

Give more: Fix the system

The reality is that a lot of charitable donations are made to incur tax benefits. To increase giving, we need to take advantage of and build on those benefits—not diminish them. This responsibility does not rest with the IRS or legislative bodies alone.

Organizations can develop systems that encourage giving, such as expanded matching gifts programs and volunteer hours to increase donor-charity interactions. Charities, many of which do not have a system in place to properly recognize grants from DAFs, can create processes that support cultivating the DAF donor base. Even within system constraints, donors can give more by reviewing their entire financial portfolio and using appreciated securities, property, or other assets to their charitable advantage.

Where is it going?

Donor-advised funds grant to an outstanding variety of charitable organizations working in 50 states and around the world—all at the recommendation of donors.

Over the past 10 years, Vanguard Charitable has supported 142,437 unique charities with countless missions, including hunger relief, college scholarships, and health screenings, as well as funding for libraries, parks, and historical organizations. As a national and cause neutral donor-advised fund, Vanguard Charitable can grant to any public charity in good standing with the IRS.

DONORS SUPPORT A VARIETY OF CAUSES

Units

Dollars



Accounts with less than \$100K recommend **62%** of all grants to **religious** organizations.

Newer accounts grant **40%** of their dollars to **education**, compared to 17% from 10+ year-old accounts.

Newer accounts recommend **7%** of their grants to **environment & wildlife** organizations, a larger share than tenured accounts.

Female-only accounts grant **20%** of dollars that go to **arts & culture** organizations, their largest share in all interest areas.

Generation X/Millennial accounts represent a small share of grants to **arts & culture** (6%) and **historical** (4%) organizations. Traditionalists fill the gap, recommending **46%** of **historical** and **41%** of **arts & culture** grants.

Traditionalists grant **63%** of all dollars that go to **historical** organizations.

Accounts with a male and female donor recommend **89%** of all grant dollars to **civic** organizations.

The majority of **human services** grant dollars are recommended by 3 sources: **67%** Male-only accounts **72%** Baby Boomers **85%** Accounts with \$100K or more

TOP 3 INTEREST AREAS: GENDER BY PERCENTAGE OF DOLLARS

Male and Female

- 1 Education
- 2 Human services
- 3 Civic

Male only

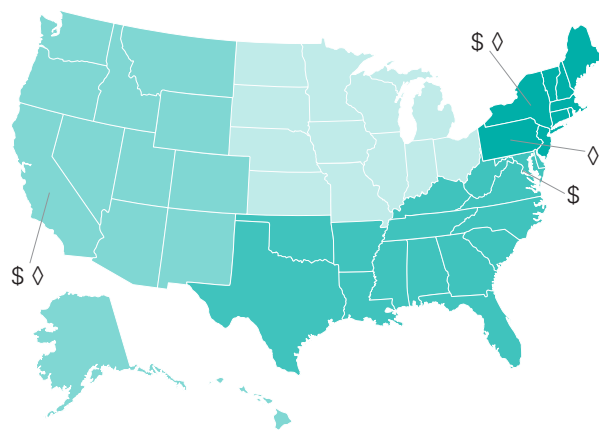
- 1 Human services
- 2 Education
- 3 Religion

Female only

- 1 Human services
- 2 Education
- 3 Arts & culture

SUPPORTING COMMUNITIES, NEAR AND FAR

Donors grant to charities located all over the United States and throughout the world. The regions of the United States that receive the most grants also receive the most grant dollars.



Grants received by region



\$ Top dollar states
◇ Top unit states



94% of donors say they grant to the same charity more than once, meaning the overwhelming majority of donors are “repeat customers” at charities.



47% of donors say they grant a similar amount of money each time they give to repeat charities, meaning the first gift may be a good determinant of the value of future gifts.



22 charities located in foreign countries received direct grants, and many more received grants through intermediary organizations.

Give more: Limit duplication

The IRS recognizes more than 1.5 million nonprofit organizations in the United States.⁵ Donors must sift through this sea of charities—many with very similar missions—to find the ones that are best suited for their charitable dollars. To many donors, this process of choosing the “best” from a pool of comparable charities is not only overwhelming, it’s also inefficient.

Are these various organizations with similar missions fulfilling unique needs or are they pulling resources—such as staffing and funding—in opposite directions? To limit inefficiencies caused by duplicate efforts, we must find opportunities to partner: A donor can combine a donation with another donor to fulfill the same goal, and a charity can brainstorm with another charity to find a fresh solution to a social problem.

When is it going?

Charitable giving traditionally happens at the end of the calendar year. However, donors who give to charity with a DAF are encouraged to separate tax-driven, December 31 contributions into an account and grants out to charity.

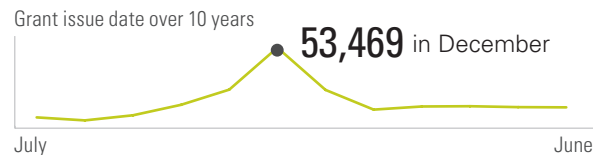
We are discovering that year-end giving is a hard habit to break. The overwhelming majority of grant recommendations—no matter how the data and trends are compiled—occur in November and December.

► Donor's perspective: GIVING REGULARLY VS. YEAR-END



Despite the fact that most grants are made in November and December, only **5%** of donors say they grant solely at year-end.

39% of grants are issued in November, December, and then through January, due to due diligence and processing time frames.



► Charity's perspective: GIVING REGULARLY VS. YEAR-END

96% of charities prefer to receive donations throughout the year, rather than year-end.



- A steady stream of donations helps with cash flow management.
- Seasonal giving trends can “paralyze” charities that must continue providing services during low-funding periods.
- Funding needs are driven by projects and initiatives—not the calendar.

FUTURE GIVING

Many donors choose to give to charity years in to the future through deferred gifts, beneficiaries, or succession plans. What is important to donors about their philanthropic legacy?

Establish a structure to continue patterns of giving into the future	35%
Pass charitable assets and values to heirs	31%
Continue to fund the same charitable causes in perpetuity	12%
Defer giving and pass assets on to charities at death	8%

Give more: Plan ahead

Donors give based on personal timelines that align with short-term goals, such as tax efficacy, and long-term goals, such as a new park for their local community. To balance these varying objectives and maximize benefit to charitable causes, we need to plan out our giving and then communicate our intentions to nonprofit organizations (as well as family members, advisors, and heirs) so they can prepare to use our gift as effectively as possible.

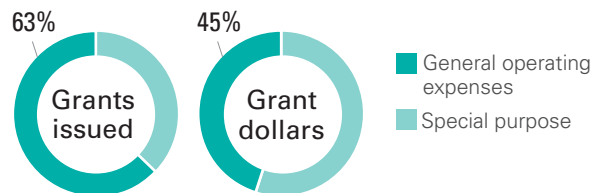
Only 30% of donors say they are planning ahead for most of their philanthropy, meaning many have room to improve. The benefits of a DAF allow donors to start planning and pacing their giving and, therefore, fill critical funding gaps that arise due to seasonal giving patterns.

What is it being used for?

A grant to charity can be made to support a specific purpose, such as a project or campaign, or given generally to support whatever initiative the charity deems most important—to fund a new program, employee's salaries, or even the electricity bill. 84% of charities said they prefer to receive grants for general operating expenses, rather than restricted gifts.

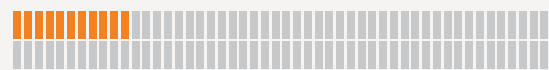
GIVING WITH PURPOSE

While the majority of grants support general operating expenses, the majority of money does not. Very large grants are often restricted to enable the donor to monitor progress and meet goals for a specific project.



GRANTS FOR A SPECIFIC PURPOSE

11% of donors say they never recommend gifts for specific purposes. Donors who choose to restrict gifts do so for various reasons.⁶



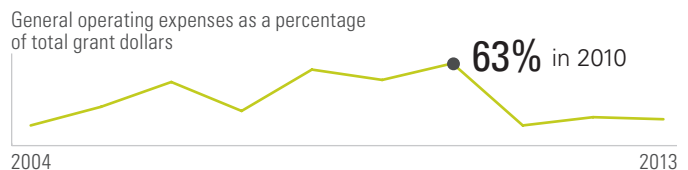
Project type	35%	Measure impact	9%
Influence	19%	Dollar amount	8%
Charity supported	16%	Other	2%

4% of donors say they grant when invited to a charity's event, and **2%** of total grants fund scholarships for students.

These small numbers of grants require significant due diligence to ensure no one receives impermissible benefit, such as tickets, dinner, or gifts. For example, a donor can set up a scholarship in her name but not to fund her grandson's tuition, and a donor may grant to underwrite the cost of an event but not attend it.

GIVING THROUGH HARD TIMES

As America worked to recover from the Great Recession, donors responded to the needs of charities—many struggling to stay in operation—by granting more for general operating expenses.



Give more: State a clear purpose

Many charities prefer to receive funding for general operating expenses because they want flexibility to allocate resources to meet the greatest need. Restricted donations, while well-intended, are occasionally too prescriptive. Over time, if programming or services shift at a charity, this can force a difficult decision: Honor a donor's original intentions, even if unbeneficial, or modify the gift to address a more relevant issue?

Donors and charities must find a balance and trust that each will help the other achieve their goals. Charities can build that trust by being transparent about their planning processes, operations, and results. (77% of surveyed charities say they report funding results; that number should be 100%.) In addition, they can develop compelling messaging that clearly states a charitable need and reinforces efforts to advance their mission.

Does giving with a DAF make a difference?

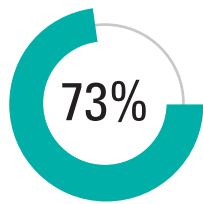
Do donors who give to charity with a donor-advised fund (DAF) make a greater charitable impact than donors who do not? To answer this question, we can analyze the contribution and granting numbers, which increase each year, or the percentage of assets gifted. We can also look at the diversity of causes—from a soup kitchen in the neighborhood, to a new school in Asia, to vaccinations for children.

But charitable giving is not just about the dollar amount or the specific causes.

To the thousands of nonprofit organizations (NPOs) that rely on donor support, as well as the countless other beneficiaries, it's also about engagement, thoughtfulness, and commitment. NPOs want to work with people who care about their cause and are willing to invest their time, talent, and treasure to improve it.

We asked our donors how involved and strategic they were with their giving, now that they use a DAF. At Vanguard Charitable, we view involvement and strategy as measures of engagement, and we believe that a more engaged donor—someone who cares about finding the most beneficial way to make a difference—is ultimately a more effective donor.

MORE INVOLVED DONORS

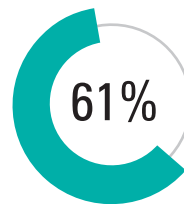


Donors who are somewhat to very involved with the charities they support—while giving with a DAF.

6%↑ More than before giving with a DAF

“Involvement” includes volunteering, interacting with board members or staff, attending fundraisers or events, serving as a committee/board member, or any other interactions—beyond a financial donation—that extend and deepen a donor’s relationship with a charitable organization.

MORE STRATEGIC DONORS

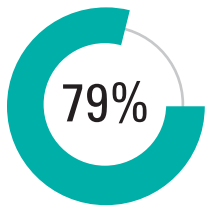


Donors who are somewhat to very strategic with their philanthropy—while giving with a DAF.

18%↑ More than before giving with a DAF

A “strategic” donor is someone who follows a long-term plan that includes a budget, investment strategy, and appropriate time horizon that will allow the individual to meet both current and long-term giving objectives and make the greatest charitable impact.

SATISFIED CHARITIES



Nonprofit organizations that are completely or mostly satisfied with DAFs as a giving partner.

Just as donors see DAFs as a way to simplify and maximize giving, charities see how they can partner with DAFs to scale development activities—while increasing reach.

Nonprofit organizations consider donors who give with a DAF:

- Sophisticated.
- Savvy.
- Accountable.
- "High capacity givers with extended funding cycles."
- "Steadfast partners."

How to "give more"

Donor-advised funds have helped individuals, corporations, foundations, and other donors to be more strategic and involved with their philanthropy. As these donors continue to represent a greater share of philanthropists overall, DAFs will need to continue to evolve, grow, and give more.

For example, while charities are generally satisfied with DAFs as a giving partner, many are wary of losing contact with their donors to an intermediary organization. Donors can allay these fears by engaging with the charities they support and keeping them abreast of their short and long-term giving plans. In other words, we can't let charities—which represent causes we all care about greatly—lie in wait.

Charities can also help donors give more, thereby increasing their revenue stream, by advocating for donor rights, reducing inefficiencies, and driving aggressively toward their missions.

When we're mutually educated on the benefits of endowed giving, communicating regularly, and working closely together, we can be confident that, tomorrow and years into the future, we will all be giving more.

For more ways to give strategically, visit vanguardcharitable.org/resourcecenter.

Methodologies

INTERNAL REPORTING

Aggregate data

The paper looks at 10 years of granting patterns at Vanguard Charitable, from July 1, 2004 through June 30, 2013. All calculations (unless otherwise noted) are based on data within a given fiscal year, which begins July 1 and ends June 30. For example, 2013 is defined as July 1, 2012 through June 30, 2013.

“Grants,” as referenced in this paper, are checks issued from a philanthropic account at Vanguard Charitable and sent to a nonprofit organization—at the recommendation of a donor and after due diligence is completed.

All philanthropic accounts open as of June 30, 2013 were included in the analysis. These 9,101 accounts are advised by a minimum of one and a maximum of two account advisors (“donors,” in this paper). A small number of accounts with histories of irregular or untraditionally high volumes of granting were removed from the analysis to improve the relevancy of the cited trends and averages.

An “average,” as referenced in this paper, is calculated by taking the average of the actual data for each fiscal year from 2004 through 2013. Any growth rates mentioned throughout the paper are compound annual growth rates.

Demographic data

A philanthropic account is classified based on several demographics: account balance, account tenure, and gender and age of its donors. For a complete listing of demographic data, see *Table 1* at right.

An account was assigned its demographic data based on a specific point-in-time (June 30, 2013) and that classification is constant throughout the analysis—regardless of whether the demographics shifted over time—except for account balance as detailed in the paragraph below. (Example: An account is opened by a male donor in 2004 and joined by a female donor in 2010. In this study, the account is considered a “Male and female” account open for “10+ years.”)

Various factors, such as market performance, new contributions, and granting patterns, can cause significant changes in account balances. For this reason, when calculating trends based on account

balances, accounts were reassigned a balance tier each year, based on the fiscal year-end balance.

Demographic data for some accounts were unavailable, which may result in percentages not adding up to 100% throughout the paper. In other instances, demographic data may not be included. For example, a statistic involving a “Baby Boomer” only includes accounts where all donors on the account were born in the years 1946-1964—an account with a Baby Boomer donor and a Traditionalist donor was not included.

Table 1: Account demographics

<i>Gender</i>	
Male-only	Accounts with only male advisors
Female-only	Accounts with only female advisors
Male and female	Accounts with one male and one female advisor
<i>Generation</i>	
Traditionalist	All advisors on the account were born before 1946
Baby Boomer	All advisors on the account were born between 1946 and 1964
Generation X/ Millennial	All advisors on the account were born between 1965 and 2002
<i>Balance</i>	
Less than \$100K	Accounts with balances less than \$100,000 as of June 30 of a designated year
\$100K or more	Accounts with balances of \$100,000 or more as of June 30 of a designated year
<i>Tenure</i>	
Accounts 0-3 years old	Accounts that were opened from July 1, 2010 through June 30, 2013
Accounts 6-8 years old	Accounts that were opened from July 1, 2005 through June 30, 2008
Accounts 10+ years old	Accounts that were opened from inception in 1997 through June 30, 2003

EXTERNAL SURVEY

Nonprofit organizations that received grants from Vanguard Charitable at any time since 1997, and are active in our systems with an accurate email address on file, received a 14-question survey via email that inquired about philanthropy and their donors, specifically those that give with a donor-advised fund. The surveys were issued and completed beginning January 29, 2014 and ending February 13, 2014.

Sample size: 720

Confidence level: 95%

A random sample of Vanguard Charitable's 15,000+ donors received a 15-question survey via email that inquired about their philanthropy and giving with a donor-advised fund. The surveys were issued and completed beginning January 29, 2014 and ending February 13, 2014.

Sample size: 273

Confidence level: 90%

ENDNOTES

Who are our donors?

¹ Gender data for some accounts were unavailable, which may result in percentages not adding up to 100%. For more information, see **Methodologies**.

² The 36% of accounts with balances of \$100K or more and the 9,101 total accounts are data as of a point-in-time: June 30, 2013. Balances and total accounts will shift over time.

How much are they giving away?

³ The percentage of assets granted (or payout) of 20.3% is the aggregate average of the past five years' fiscal year-end invested assets divided into the most recent fiscal year's (FY13) total grant dollars. This is calculated based on a rolling five years. The 20.3% payout includes total dollars granted and invested assets from previously excluded outlier accounts, in order to be consistent with how Vanguard Charitable agreed to represent granting payouts to the IRS in our Form 1023 application in 1997.

⁴ The *Granting from new accounts* chart calls out the compound annual growth rate (CAGR) of total dollars granted within the first two years an account was opened. The Great Recession in the United States occurred from December 2007 to June 2009, according to *The State of Working America*, a publication by the Economic Policy Institute, a nonpartisan nonprofit organization.

Where is it going?

⁵ Number of public charities from the *The Nonprofit Almanac 2012*, an annual report prepared by by Katie L. Roeger, Amy S. Blackwood, and Sarah L. Pettijohn and printed by the Urban Institute Press.

What is it being used for?

⁶ In response to a survey question that asked donors why they may choose to restrict grants for a specific purpose, rather than give for general operating expenses, donors could select all of the following:

- Dollar amount granted
- Nonprofit organization being supported
- Project type being funded
- Measure impact and results of funding
- Influence/control over how grant money is used
- I never earmark gifts
- Other (ex. naming rights)



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