

THE CHRONICLE OF PHILANTHROPY

LETTER TO THE EDITOR

Donor-Advised Funds Aren't All Warehouses of Wealth

OCTOBER 19, 2020

To the Editor:

Donor-advised funds have been getting a lot of negative press lately, with critics saying donors are using them to “warehouse wealth” rather than to give more generously to needy nonprofits, especially during the current pandemic crisis. The *Chronicle* recently published articles on the [Initiative to Accelerate Charitable Giving](#), a proposal driven by philanthropist John Arnold and Boston College law professor Ray Madoff to force DAFs and foundations to direct more cash to charities. Already, this proposal is facing significant [headwinds](#), the *Chronicle* reports.

As the executive director of a community foundation, I want to point out one really important difference between DAF programs through commercial institutions and DAFs established through community foundations like ours.

We are about one thing: community.

And never has our vital role in addressing needs and uplifting community been more apparent than in this Covid-19 crisis.

Our Jewish community foundation, including our DAF holders, has become an essential part of our community's response to this crisis, highlighting what an incredible philanthropic tool a DAF can be.

We have been reminded of what we always knew to be true: Fund holders of community foundations care deeply about the local landscape, are well informed about their communities because of where they house their charitable dollars, and are prepared to give in significant and meaningful ways, in good times and particularly in challenging ones.

It is an added perk that while all DAFs charge fees to manage and invest the funds, community foundation fees are invested back into the community.

Our Jewish Community Foundation is the endowment arm of the Jewish Federation of Greater MetroWest NJ, an umbrella organization that serves approximately 150,000 Jews across five counties in northern New Jersey. Since early spring, when New Jersey became one of the early epicenters of the pandemic, our community and its organizations — including Jewish social- and human-service agencies, schools, synagogues, and senior-care facilities — have been particularly hard hit. New Jersey still has among the highest caseloads and number of deaths in the nation.

Beginning in March, our foundation began telling our DAF holders: “The rainy day is now. And it’s pouring.”

Our foundation is one of the largest community foundations in New Jersey, yet we are still significantly smaller than the big financial DAF houses. But since the start of the pandemic, we have taken a vital role in directing philanthropy across our state to help those in need.

Since March 1, our fund holders have responded with more than \$4 million in grants specifically for Covid-19 relief to scores of charities in our community, nationally and internationally, with the vast majority of those dollars donated to local institutions.

Grants from our DAF holders are providing critical support to such things as overwhelmed food pantries, allowing for vastly expanding mental-health services, and helping to ensure that thousands of homebound seniors, including many Holocaust survivors, receive food, care, and social connections. One of our DAF holders provided a major grant for at-home or socially distanced Jewish-oriented alternative summer programs for hundreds of local children and teens whose camp plans were canceled.

Because of our deep connection, knowledge, and expertise in community life, our foundation, working with our federation partners, has become a guide to philanthropic families who want to help in the crisis. For example, our Center for Strategic Philanthropy created a popular seven-part webinar series featuring topics from food insecurity to Jewish schools and mental health. The series, open to all our fund holders and interested community members, is just one way in which we have engaged our community in philanthropy.

Our fund holders, most of whom live in this community, have taken us up on our offer by listening, asking questions — and giving.

Our foundation also holds communal DAFs with longstanding expertise in particular areas of our community. For example, our Grotta Fund for Senior Care, which gets advice from staff and donors steeped in knowledge of the elderly, jumped in and approved more than \$500,000 in grants to 32 organizations throughout New Jersey to benefit the neediest older adults, addressing food insecurity and social isolation.

I hope that more donors realize that there are alternatives to opening a DAF at a large financial institution. You can even donate your funds from a pre-existing DAF to a

community foundation DAF and join the many fulfilled donors whom we support in engaging, thoughtful, and impactful philanthropy within their home communities.

On an annual basis, our fund holders distribute, on average, approximately 20 percent of the funds' assets to charities, with 80 percent of that earmarked for Jewish causes. This spend rate of 20 percent far exceeds the required 5 percent annual spend rate for private foundations. Since early March, the onset of the Covid-19 crisis in New Jersey, grant making has increased by 46 percent as compared with the same three-month period last year. In this unprecedented time of both physical and financial emergency, our community has responded in inspiring, albeit expected, ways.

As the national debate continues on DAFs, please remember: Not all DAF programs are created equally. Community foundations host DAF programs that are essential to keeping our communities strong and vibrant in good times and challenging ones.

Kim Hirsh
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We welcome your thoughts and questions about this article. Please [email the editors](#) or [submit a letter](#) for publication.

DONOR-ADVISED FUNDS

RECOMMENDED READING



COMMUNITY FOUNDATIONS

Donor-Advised-Fund Giving at Large Community Foundations Soars 42%

By Dan Parks

Eight community foundations that provided data reported a total of \$1.22 billion in giving in March through August of this year, compared with \$860 million the during the same period the previous year.

\$740 Million

Dollars transferred from foundations to DAFs in 2018

\$737 Million

Dollars transferred from 2014 to 2016

FOUNDATION GIVING

Foundations Are Sending More Dollars to Donor-Advised Funds, Chronicle Analysis Finds

By Marc Gunther

Congress is facing growing pressure to stop the transfers, which allow grant makers to keep secret many of the details about their giving.



55%

of nonprofits express concern about
soliciting money from donor-advised
funds

GIVING

Nonprofits Concerned About Seeking and Processing Donor-Advised Fund Gifts

By Dan Parks

Concern about the difficulty of soliciting gifts from donor-advised funds was especially high — 70 percent — among nonprofits that had never received such gifts.



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