



Donor Advised Funds and Private Foundations What's the Difference?

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A **Donor Advised Fund (DAF)** is a charitable giving vehicle, often established at a Community Foundation, that enables donors to make a charitable contribution without specifying the charities that will ultimately benefit from their gift, where funds grow tax-free.

A DAF can be established in 1 day with a minimum deposit of \$5,000 to \$25,000, depending on the Foundation. Donor receives an immediate donation receipt and can recommend grants (gifts) from the fund over time.

A **Private Foundation**, often used by high-net-worth individuals, can be costly to set up and requires ongoing administrative overhead (legal and accounting) but the fiduciary and public responsibility for everything done in the foundation's name is the responsibility of the donor.

Control and flexibility

Private and public foundations have a minimum annual requirement to distribute 3.5% of total assets. Since a DAF account is not an individual legal entity, that minimum can vary or be non-existent – depending on the policies of the underlying DAF sponsor aka public foundation.

The Foundation managing the DAF confirms the recipient is a qualified charity and disburses funds, with no minimum grant making requirement.

Transparency and anonymity

Only the DAF ensures total confidentiality, including donating anonymously.

Private foundations must file public reports, disclose financial information, board members, trustees, etc. Everything is a matter of public record.

What's involved with getting started

Setting up a DAF is inexpensive and made simple with the assistance of a reputable charitable foundation such as [Community Foundation of Mississauga](#). The donor opens an account, names it as they would name a private foundation, makes contributions and the money grows tax-exempt.

A DAF offers benefits like a Private Foundation without the operating and overhead costs so more of the gift capital can go directly toward doing charitable work without having to cover operating costs or administrative headaches.

Additional Opportunities

Donate appreciated securities to your DAF, pay NO capital gains taxes and get a charitable receipt for full market value of donated shares.

Donate old or new Life Insurance policies to your DAF or use DAF funds to pay for Life Insurance owned by your DAF.