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# Donor-advised funds

*A flexible tool that supports family giving,  
joint decision-making and wealth education*

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Donor-advised funds (DAFs) may be best known as a tax-efficient vehicle for donating assets to charitable organizations. They are also a valuable educational tool for families engaged in the wealth transfer planning process.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

## Embed family wealth education in your giving strategy

An attractive feature of a DAF is that although the donor benefits from an immediate tax deduction, distributions to charities can be made over time. That flexibility allows families to leverage a DAF as they look to educate the next generation(s) to be sound stewards of wealth.

A DAF provides a compelling reason for all family members, including children, to participate in discussions about which causes and organizations to support, when to support them and at what level. Those conversations are a great opportunity for senior generations to model and explain the principles and beliefs that inform their financial decisions.

## The more a family practices decision-making, the easier it becomes

A DAF sets the stage for families to establish a productive process for making decisions together and then practice it over time. By making decisions together in a positive context, families can gradually increase their intra-family communication skills and become more comfortable with joint decisions. That experience can make it significantly easier to effectively navigate more difficult or emotionally charged choices that may arise in the future, such as what to do when a family needs to agree on how to address a parent's incapacitation.

## Sample questions to start family-giving conversations

- What values or causes are most important to you?

*EXAMPLES: education, health care, the arts, human rights, environment, etc.*

- Where do you most want to effect changes?

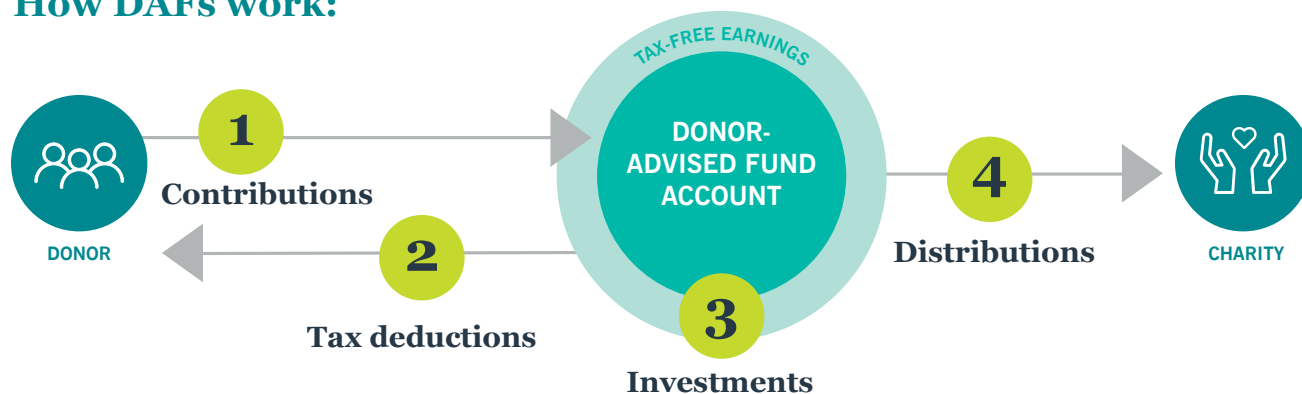
*EXAMPLES: our neighborhood, our town/city, the United States, a specific foreign nation, under-developed countries, etc.*

- What organizations focus on making the changes you'd like to see in the world?

*EXAMPLES: our schools, our church or synagogue, a cancer research institute, an international aid organization, etc.*

*Donor-advised funds are one of the fastest-growing vehicles for philanthropy.\**

## How DAFs work:



1

### CONTRIBUTIONS

A family member (the “donor”) donates assets earmarked for charitable giving – which can be cash, appreciated assets or tangible property – to a DAF account.

2

### TAX DEDUCTIONS

The donor may take an immediate tax deduction on the full value of the assets transferred, avoiding potential capital gains tax on any appreciated property (subject to the appropriate income tax deduction rules). In addition, the assets are no longer considered a part of the donor’s estate for purposes of estate taxes.

3

### INVESTMENTS

Until distributed to charity, the funds remain inside the DAF and can be invested and earn tax-free returns that may increase the value of the DAF, potentially making more charitable dollars available for giving. The family can provide input on how DAF assets are invested.

4

### DISTRIBUTIONS

The family recommends when and how assets are distributed to section 501(c) (3) charitable organizations. Donors can choose how they are acknowledged and what personal information they wish to share with the organizations.

### Keep in mind

Distributions from a DAF:

- Can be made only to U.S. charitable organizations.
- Cannot be made to individuals or private foundations.
- Cannot be made if a donor or family member would receive more than an incidental benefit from the distribution.

One of the key steps in wealth transfer planning is establishing a process for effective family communication and decision-making. A DAF can be a valuable part of that effort by reinforcing a sense of purpose for the family wealth and helping you put your shared values into action.



**Please consult your financial professional for more information. For financial professionals interested in additional wealth transfer education, please contact Nuveen at 800-221-9271. Visit us at [Nuveen.com](https://www.nuveen.com)**

\*Source: National Philanthropic Trust, 2023.

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