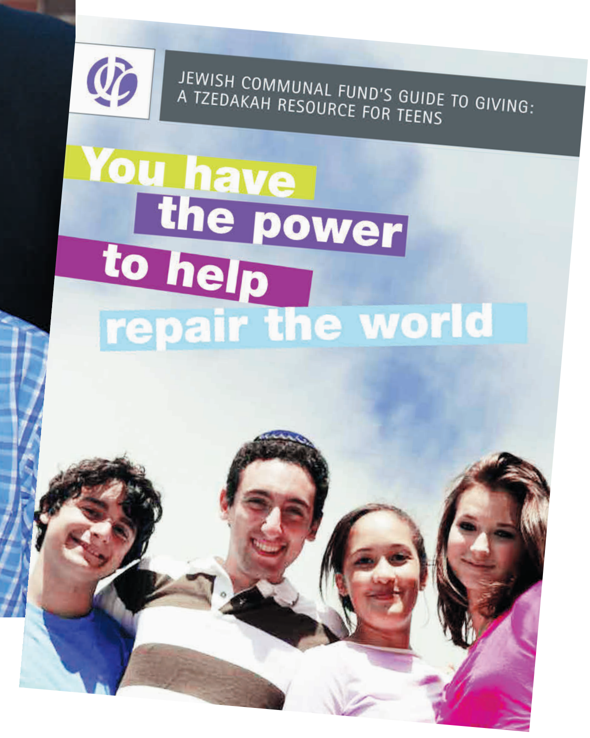
FUNDRAISING

Trends and Ideas

Donor-Advised Funds Keep Up Rapid Growth

By Sarah Frostenson



Three generations of the Stein family are among those who give through the Jewish Communal Fund.

DONOR-ADVISED FUNDS continue to surge past nonprofits and foundations in accumulating charitable assets: They are now worth almost one third more than they were before the recession started in 2007, says a new *Chronicle* survey of 134 funds.

The strong growth, which comes in large part because donations to the funds grew 46 percent last year, is in stark contrast to nonprofits, which attracted just 7 percent more in contributions, according to *The Chronicle*'s ranking of the 400 charities that raise the most. The asset surge is also far bigger than at foundations, whose wealth grew by 4 percent according to the newspaper's latest study.

While contributions to the funds were flowing in and the stock market was helping bump up assets, donors did not keep to that pace in the amount they disbursed from their funds. Donors increased their giving from the funds last year by just 7 percent.

So far this year, donor-advised funds have received $7.8-billion in gifts and awarded more than $3.4-billion in grants, which marks a 41-percent increase in contributions over the same quarter a year ago and an 18 percent increase in grants.

Surging in Popularity

Donor-advised funds allow people to establish a charitable account with cash, stock, or other assets in exchange for an immediate tax deduction. Whenever donors want to, they can recommend which charities receive grants from the funds.

> *While gifts to the funds were up 46 percent last year, giving to charities from the funds increased by only 7 percent.*

The funds have become so popular that Fidelity Charitable, created in 1991, now holds slightly more in assets than the Robert Wood Johnson Foundation, the nation's third-largest grant maker.

In 2012, donors contributed $3.6-billion to Fidelity and awarded $1.6-billion in grants. In the first quarter of 2013, donations have grown by 14 percent over the first quarter of 2012.

Speed Up Giving

The run-up in donations has prompted some experts to suggest that Congress require people who create donor-advised funds to give the money away at a faster pace.

"Donor-advised funds are truly fantastic for donors because they provide the maximum tax benefits that you can get," says Ray D. Madoff, a professor at Boston College Law School who studies estate issues.

"But the problem is you're diverting resources away from on-the-ground operating charities into these holding pens that have no payout requirement," says Ms. Madoff.

While private foundations are required by federal law to distribute at least 5 percent of their assets to charity every year, donor-advised funds face no such requirement.

Ms. Madoff says Congress could encourage greater giving by requiring everyone to spend all the money in a donor-advised fund within 10 years of putting the funds into an account. Any money still there after that time, she says, should go to a charity the donor chose when he or she created the fund.

Organizations that offer donor-advised funds say they don't think such rules are needed because many people are already distributing donations.

For instance, Fidelity Charitable says 47 percent of its donors have made gifts from their funds in each of the past seven years, while 70 percent have awarded money in at least five of the past seven years.

Spontaneous Donations

Fidelity and others that run the funds are making efforts they hope will stimulate more giving.

Sarah Libbey, president of Fidelity Charitable, said donors consistently asked for timely ways to donate in the wake of a disaster.

Fidelity responded by creating a list of charitable organizations it had vetted and by streamlining its grant-making site to make it easier for donors to respond soon after a disaster.

When Hurricane Sandy devastated parts of the East Coast last year, donors at Fidelity contributed more than $26-million through 4,900 individual grants, some of which were disbursed within two days of the disaster. And after the Boston Marathon bombings, donors at Fidelity awarded a total of $1.1-million, some of it the day after the fund was established to help the victims.

"We have realized over the years, even though this is a giving vehicle

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Growth in Donor-Advised Funds

19.6%
How much higher assets were in donor-advised funds in 2012 than in 2011.

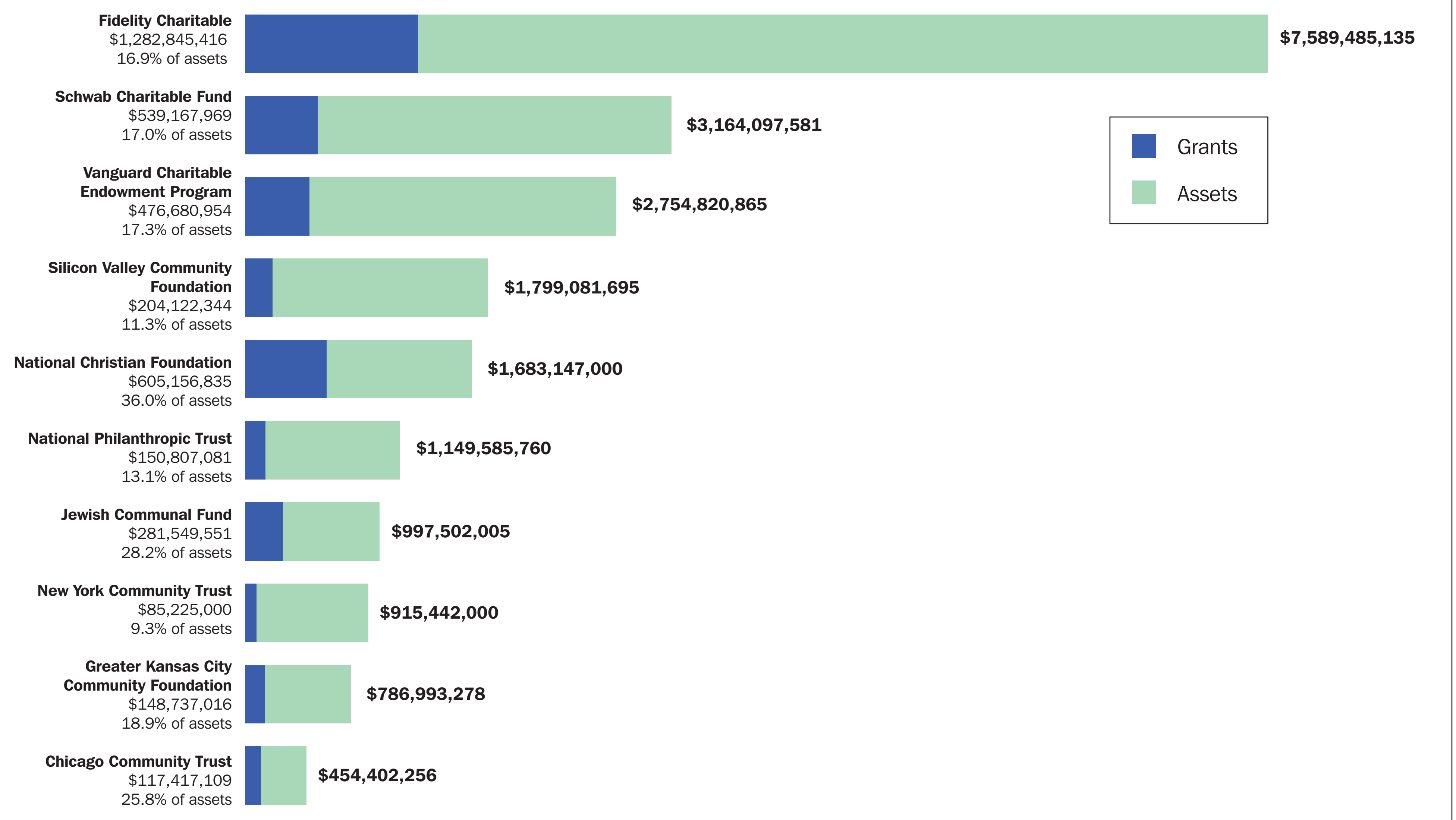
2011 total assets: $27,048,649,344
2012 total assets: $32,352,757,120

7.4%
How much more people gave to charities from their donor-advised funds in 2012 than in 2011.

2011 total grants: $5,561,783,398
2012 total grants: $5,971,665,085

Note: Based on data provided by 87 organizations that offer donor-advised funds.

Assets and Grants at the 10 Biggest Donor-Advised Funds



Sizing Up the Biggest Donor-Advised Funds

	2013 Assets (year-to-date)	2012 Assets	Change in assets from 2011 to 2012
Fidelity Charitable	$9,914,500,000	$7,589,485,135	36.3%
Schwab Charitable Fund	4,702,106,687	3,164,097,581	3.9
Vanguard Charitable Endowment Program	3,509,652,852	2,754,820,865	18.3
Silicon Valley Community Foundation	1,821,661,697	1,799,081,695	91.1
National Christian Foundation	1,684,252,000	1,683,147,000	18.0
National Philanthropic Trust	1,598,317,457	1,149,585,760	12.1
Jewish Communal Fund	1,185,018,718	997,502,005	– 6.8
New York Community Trust	934,400,000	915,442,000	11.6
Greater Kansas City Community Foundation	833,992,772	786,993,278	80.2
Chicago Community Trust	537,387,816	454,402,256	24.5

Fund Finds Success by Appealing to Families and Setting Fees Low for Young People

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that can be used for planning strategic giving, it can also be there for what is very spontaneous giving," said Ms. Libbey. "It's a ready reserve that donors can access."

Family Efforts

Many donor-advised funds are getting benefits from helping donors make giving a family affair.

The Jewish Communal Fund, which celebrated its 40th anniversary in 2012, says its donors want to use the funds to allow children and grandchildren and other relatives to give away money.

"People involved with significant philanthropy are doing wealth planning and charitable planning several generations out," said Ellen Israelson, vice president for marketing and donor relations.

Ms. Israelson says she realized the potential of reaching out to families when she saw "how many of the original funds, even if the fund originator was no longer alive, had passed to the next generation. We realized in some cases we had four generations of families still with us using the same fund."

To encourage more families to get involved, the Jewish Communal Fund now offers the NextGen Giving Fund geared toward donors ages 18 to 30.

By giving at least $1,800, donors can establish a fund and then make grants of at least $36. The figures are symbolic: The Hebrew word *chai,* which means "life," is also the word for the No. 18, so a lot of Jews like to use multiples of 18 as a way to show how essential giving is.

But it was also deliberately set to be a low amount to appeal to young people.

"We didn't want the minimum amount to open a fund to create barriers for people who were looking for the convenience of online giving," said Ms. Israelson. "So if people aged 30 and under need that low-balance fund, we can offer that to them."

The NextGen fund option has

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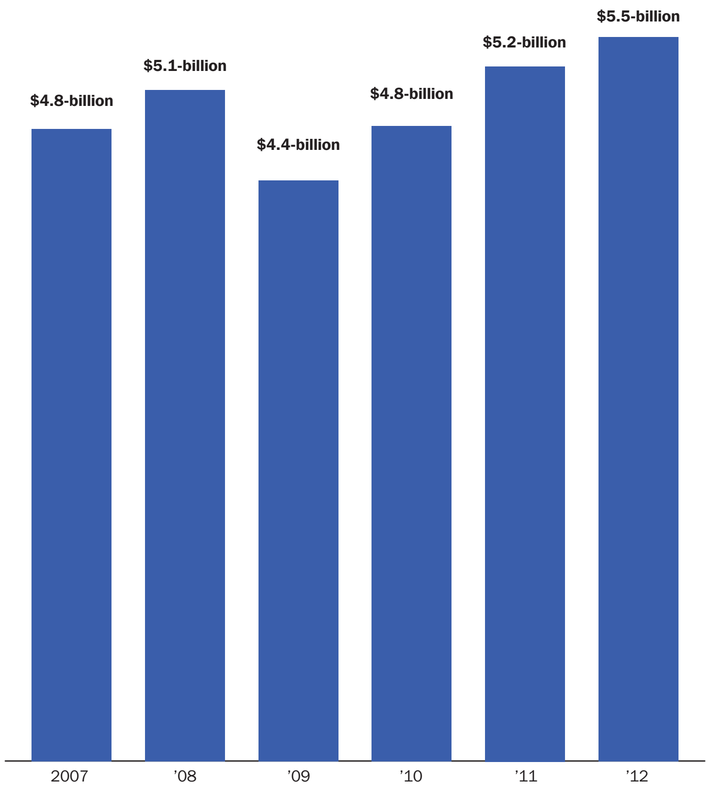
A Rebound in Grants From Donor-Advised Funds



Note: Based on data for 60 organizations. These figures have been adjusted for inflation.

Online-Shopping Site Helps Donors Add Small Sums

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proven especially popular for children nearing the bat mitzvah and bar mitzvah age of 13.

The group now manages 230 NextGen funds for people under 18 and says that many more young donors are listed as advisers to funds managed by their family members.

Modest Sums

The Jewish Communal Fund's approach is one of several efforts to reach out to people who want to give small sums.

The Greater Kansas City Community Foundation, for instance, is one of six groups that told *The Chronicle* it does not have any set minimum amount to open a donor-advised fund.

"We believe that donor-advised funds can democratize

"We believe that donor-advised funds can democratize philanthropy."

philanthropy. Every family can be a philanthropist," says Deborah Wilkerson, president of the Kansas City foundation.

"We don't have a minimum fund size or grant size requirement, and our annual administrative fee is just $250, or $21 a month, which means a family of modest wealth with some extra to give can have a donor-advised fund available to them."

The Kansas City community fund currently manages roughly 400 funds with balances under $10,000 and 300 with balances under $5,000.

Involving Retail

Meanwhile, Renaissance Charitable Foundation, which supports 11 donor-advised programs, has found a way to make very small sums add up.

In June it started a donor-advised program with PlanG, a company that runs myplang.com, an online shopping site that seeks to entice people who have a charitable bent.

PlanG has persuaded over 250 retail brands to donate a percentage of consumers' purchases to a donor-advised fund. Donors can also make gifts beyond the amount they buy online.

Marti Beller, PlanG's leader, says the average grant size awarded by fund holders is $75, and consumers typically don't leave the money in the account for longer than two months.

That might be in part because PlanG makes it clear that donors can't leave their money in the fund for more than 18 months. If they do, PlanG sends the money to a charity picked by the retail organization that awarded the consumer the money to give way.

"As money comes in from an outside retailer, it's got to make it outside," said Ms. Beller.

Emma Carew Grovum and Marisa López-Rivera contributed to this report.

Fundraisers' Pay Jumped 8% Last Year, Biggest Gain Since Before the Recession

By Holly Hall

The median salary of American fundraisers increased by 8 percent last year, to $71,100, according to a new study by the Association of Fundraising Professionals. That's a stark change from a 1.5 percent increase in 2011 and the biggest percentage gain since 2007.

The survey is based on data from 1,750 members of the Association of Fundraising Professionals, but it is not necessarily a representative sample of groups of all sizes and causes.

Although salary increases were substantial last year, they still haven't made up the big gap

The survey revealed a big gender gap in pay: Men made a median of $85,000, women $67,700.

in pay between male and female fundraisers, the survey found.

Last year, male fundraisers surveyed by the association earned a median $85,000, which was 26 percent more than the median salary among women ($67,700).

The survey also demonstrated a lack of ethnic and racial diversity among fundraisers.

Only 2 percent of fundraisers in the association's study identified themselves as African-American, Hispanic, or Latino, and smaller percentages said they were Asian or multiethnic.

Turnover Persists

The findings of the study conform with a string of reports indicating that turnover is a big problem in fundraising.

Nearly half of the fundraisers in the survey said they had been in their current positions for three years or less, and 43 percent said that in the previous 12 months they had looked for another job.

What's more, many said they had considered leaving because they:

- ■ Hoped to earn a bigger salary (39 percent),
- ■ Wanted more responsibility and authority (34 percent), or
- ■ Hoped to escape a frustrating work environment (29 percent).

When asked about their "main problem" in doing their jobs, fundraisers identified several, including having insufficient staff (25 percent), working for leaders who are unappreciative of fundraising (19 percent), and facing competing job duties (17 percent).

Credentials Matter

Fundraisers tended to earn more if they had professional credentials, such as certification as a fundraising executive at a basic or advanced level.

Fundraisers with basic certification earned an average salary of $96,923, according to the study, and for those with advanced certification the average salary was $120,471, compared with $70,253 for those without such credentials.

The survey results suggest a significant change in the job path for fundraisers, showing that more people are training for the role in college, said Andrew Watt, president of the Association of Fundraising Professionals.

Twenty-one percent of the survey participants said they entered the fundraising profession directly from school, up from 13 to 14 percent in the previous three surveys.

Such fundraisers, Mr. Watt said, "are several rungs up in information and understanding from the way we started."

To appeal to young fundraisers, Mr. Watt said, the association recently started offering a membership rate of $75 to those under 30.

In comparison, the cost for older members is $250, along with chapter dues ranging from $125 to $250. The association now has 3,000 members under 30, and 80 percent of them are new to the organization.

The "2013 AFP Compensation and Benefits Report" is available free of charge to members of the association. Nonmembers may purchase the report for $150 by contacting the association's professional advancement department at profadv@afpnet.org.

Problems Fundraisers Say Hurt Their Performance

Insufficient staff members	25%
Leaders don't appreciate what fundraisers do	19
Competition from other assigned duties	17
Insufficient fundraising budget	7
Lack of authority to exercise professional judgment	7
Insufficient staff training	2
No problem/none of the problems cited above	23

SOURCE: Association of Fundraising Professionals

How The Chronicle Compiled Its Latest Survey of More Than 130 Donor-Advised Funds

By Sarah Frostenson

The Chronicle's survey of donor-advised funds is based on information collected from 134 community foundations, commercial funds, and other nonprofits in the United States.

Donors provide cash, stock, and other assets to such funds and receive an immediate charitable deduction; they can then decide which charities they want to support and when to make their donations.

The findings of the survey were based on answers submitted to *The Chronicle*'s questionnaire by 87 organizations, which included 37 community foundations, 14 Jewish federations, 11 commercial-investment companies, five universities, and 20 other organizations such as international, religious, and environmental charities.

Data on an additional 47 organizations are included based on figures in the informational tax returns charities are required to file annually with the Internal Revenue Service.

Because of the large number of community funds, *The Chronicle* limited the survey to the 50 foundations that raised the most money, based on a study by the Columbus Foundation.

In addition to community funds, the survey polled the 20 colleges with donor-advised assets of at least $10-million, as well as most other organizations with donor-advised assets of at least $1-million.

The IRS requires organizations that manage donor-advised funds to disclose several key pieces of data on their informational returns, such as the number of fund they hold, the total contributions to the funds, and the value of grants awarded to charities.

To alert *The Chronicle* about any donor-advised funds that should be included in the next study, send an e-mail to research@philanthropy.com.

The donor-advised fund survey was compiled by Sarah Frostenson, Emma Carew Grovum, and Marisa López-Rivera.