



**2020**

**DONOR-ADVISED FUND REPORT**

This report was prepared by National Philanthropic Trust UK in collaboration with Cath Dovey, an independent consultant and co-founder of the Beacon Collaborative, which seeks to increase the level of philanthropy and social investment in the UK. Oliver Nicholl-Dovell provided data analysis and research assistance.

National Philanthropic Trust UK gratefully acknowledges all of the organisations that shared their donor-advised fund statistics and information

# INTRODUCTION

**NATIONAL PHILANTHROPIC TRUST UK** is pleased to publish our fifth annual UK Donor-Advised Fund Report. A donor-advised fund (DAF) is a philanthropic fund established under an umbrella charity who administers the fund on behalf of the donor. A donor makes an irrevocable charitable contribution, receives immediate tax relief and then recommends charitable grants from the fund over time. The donor also recommends how the charitable assets are invested before being granted out.

Our 2020 UK Donor-Advised Fund Report examines data from 2015 to 2019 from UK charities that offer donor-advised funds. The findings confirm that the UK donor-advised fund market continues to grow and evolve. It is noteworthy that these findings do not include the period of the COVID-19 pandemic and the philanthropic outpouring we have witnessed in response. That charitable impact will be captured in next year's report.

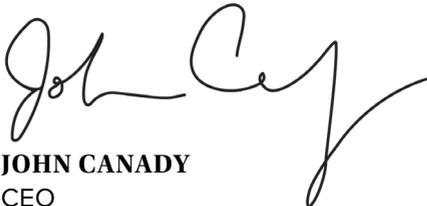
In 2019:

- Contributions to donor-advised funds increased to £609 million, or a 17 per cent increase, compared with prior year's contributions.
- Charitable assets in donor-advised funds total £1.7 billion—an increase of 11 per cent over the prior year.

- The aggregate grant payout rate from donor-advised funds was 31 per cent in 2019 versus 24 per cent in 2018.
- Grants from donor-advised funds to other charities were £479 million, an increase of 53 per cent over the prior year.



As awareness of these giving vehicles grows in the UK, donors and their advisors increasingly use donor-advised funds as the modern alternative to establishing a grantmaking charitable trust or foundation. Since every pound in donor-advised fund accounts is destined for charitable organisations, the rise in donor-advised funds is good news for British charities and charities around the world that receive grants from DAFs.

  
**JOHN CANADY**  
CEO

# A GLOSSARY OF TERMS

## **CHARITABLE ASSETS**

The amount charitable sponsors hold and manage in donor-advised fund accounts. Some charitable sponsors manage other types of funds as well. This report is limited to assets in donor-advised fund accounts.

## **CHARITABLE ORGANISATION**

A charity. In the context of this report, a charitable organisation can be either a charitable sponsor of donor-advised funds or the recipient of a donor-advised fund grant. A UK charitable organisation is registered at the Charity Commission and a foreign charitable organisation is eligible to receive grants from the UK according to HMRC and Charity Commission regulations. Donations to a charitable organisation are eligible for tax relief. A charitable organisation serves broad public purposes in educational, religious, scientific, and artistic fields, among others, as well as the relief of poverty and other public benefit activities.

## **CHARITABLE SPONSOR**

A charitable organisation that manages donor-advised fund accounts. Charitable sponsors provide services to ensure that potential grant recipients are qualified charitable organisations and administer donor-advised fund accounts to ensure compliance with all regulations. Also called sponsoring charity, fund sponsor or umbrella charity.

## **CONTRIBUTION**

Amount a donor donates to a donor-advised fund account when establishing the fund or adding money to it.

## **DONOR-ADVISED FUND**

A philanthropic giving vehicle administered by a charitable sponsor. A donor-advised fund allows donors to establish and fund the account by making irrevocable, tax-relieved contributions to the charitable sponsor. Assets in the account are invested based on the donors' recommendations. Donors then recommend grants from those funds to other qualified charitable organisations.

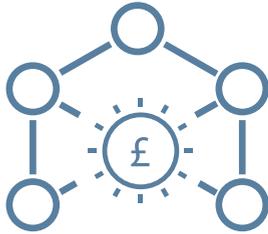
## **GRANT**

A transfer of assets from a donor-advised fund account to a qualified charitable recipient.

# MARKET OVERVIEW

Donor-advised funds grew in 2019. Total charitable assets available for grantmaking are over £1.7 billion. The rise is a result of both an increase in contributions to donor-advised funds and gains from investment returns. Grants from donor-advised funds to charities in the UK and abroad grew an impressive 53 per cent.

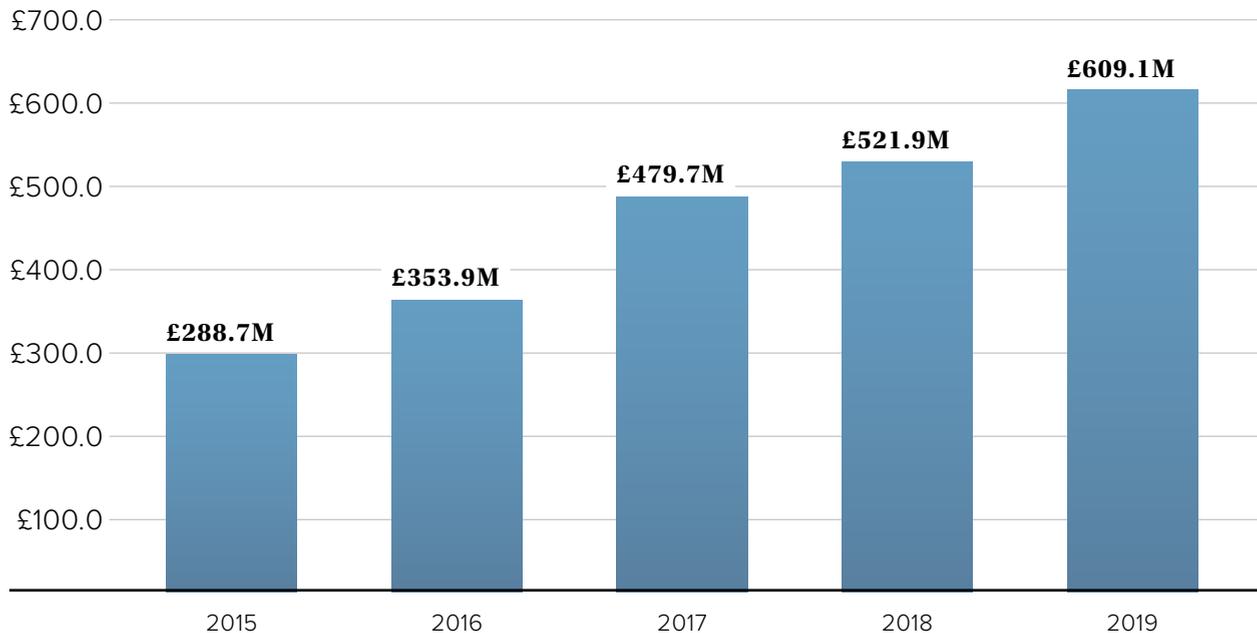
# MARKET OVERVIEW



## Contributions at all-time high

Contributions to donor-advised funds in 2019 totalled £609.1 million. This number surpasses the 2018 value of £521.9 million, an increase of 17 per cent. Contributions rose at a faster rate than the previous year, which was a 9 per cent increase. The compound annual growth rate was 20.5 per cent for contributions from 2015 to 2019.

**FIGURE 1**



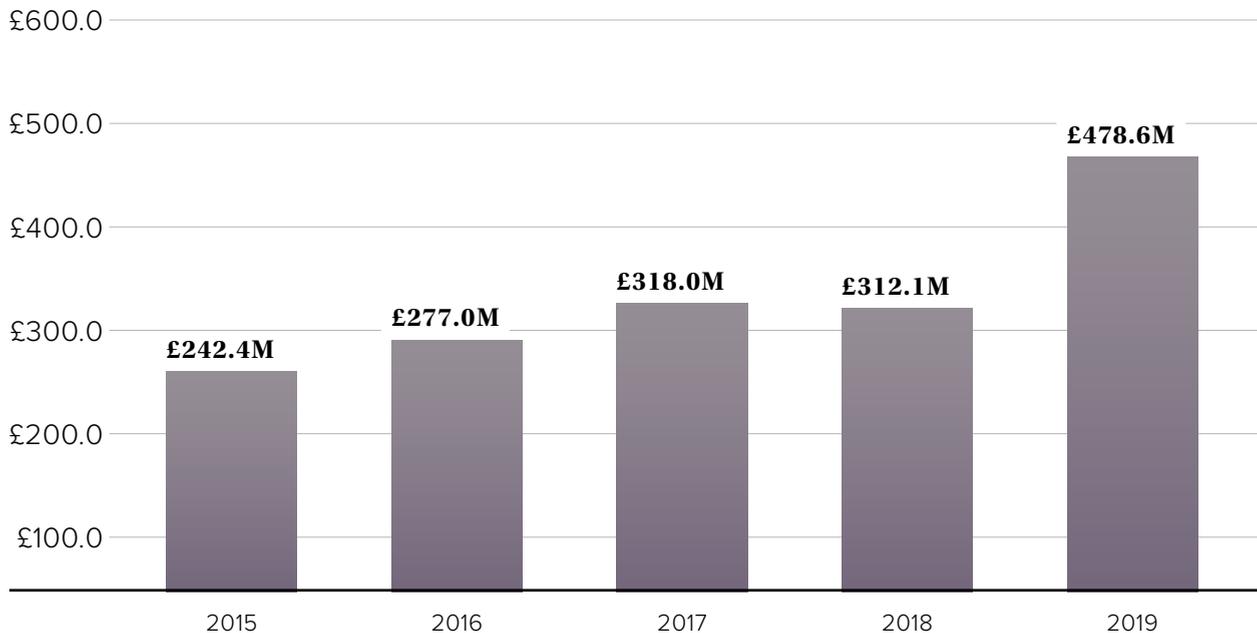
# MARKET OVERVIEW



## Grants total £479 million

Grants from donor-advised funds to charitable organisations totalled £478.6 million. This is a 53 per cent increase compared to a total for 2018 grants of £312.1 million. The compound annual growth rate from 2015 to 2019 was 18.5 per cent.

**FIGURE 2**



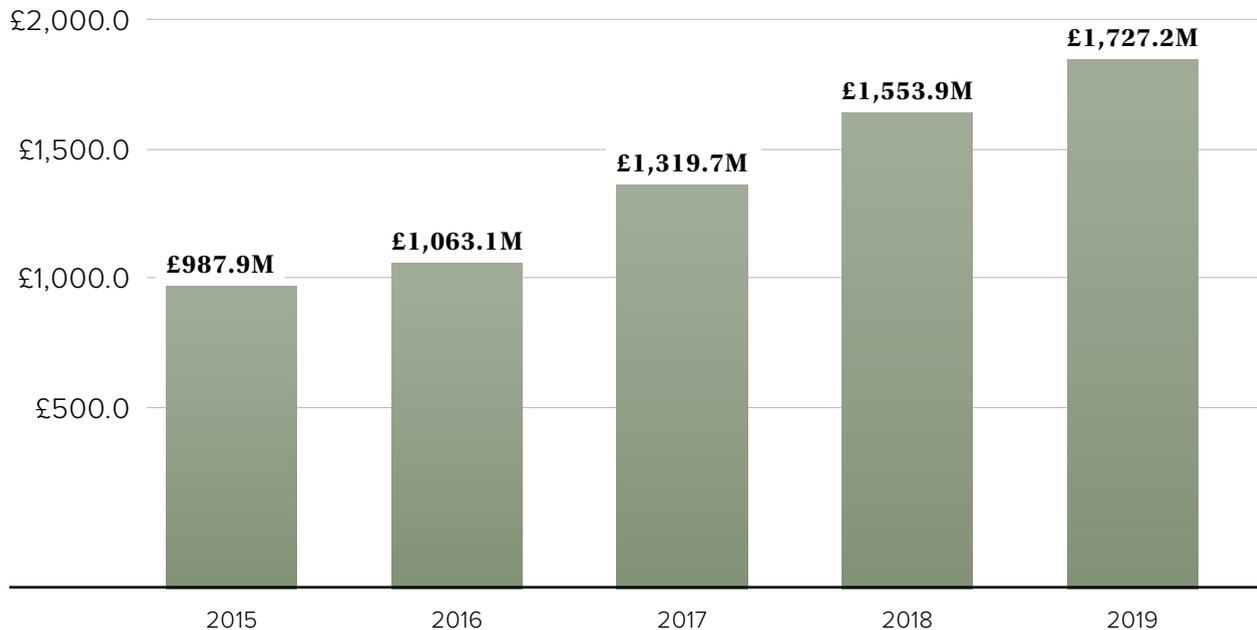
# MARKET OVERVIEW



## Charitable assets pass £1.7 billion

Charitable assets under management in all donor-advised funds totalled over £1.7 billion in 2019, an all-time high. This is an 11 per cent growth rate compared to 2018. The compound annual growth rate for charitable assets from 2015 through 2019 was 14.9 per cent.

**FIGURE 3**



**“ We expect growth to continue because donor-advised funds are convenient and can be used as a giving tool in so many ways – by different generations, across different geographies, and on all time horizons.**

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# PROJECTIONS & OBSERVATIONS

As we are publishing this report in December 2020 in the midst of an ongoing pandemic, it merits highlighting that DAFs are playing an important role in the philanthropic response to COVID-19. Although this report does not include data from 2020, initial observations indicate that grants from DAFs have increased between 50 and 66 per cent during the pandemic from March to September 2020. This follows an already impressive increase in grantmaking between 2018 and 2019. It is clear that donor-advised funds are an effective tool for active donors who want to support their favourite charities and provide relief during the pandemic.

Looking back on 2019, the UK DAF market continued growth across all key metrics – grants, contribution, and AUM, in spite of the uncertainty around Brexit and the UK election. This uncertainty did accelerate some large contributions by donors, which resulted in sizeable swings in some of the data. It is a reminder that the UK DAF market is still relatively small in size; the data can be impacted by individual donor decisions.

# PROJECTIONS & OBSERVATIONS

## **WHAT LIES AHEAD?**

We expect that grantmaking from donor-advised funds to charitable organisations will continue to grow at a consistently high rate, particularly in light of the COVID-19 pandemic. We also expect continued acceleration in contributions and assets as awareness of donor-advised funds increases among donors and their wealth managers, lawyers and accountants. Donors and their advisors are increasingly using donor-advised funds as a replacement for grantmaking charitable trusts or foundations.

Based on our own experience and observed trends at our peer charitable organisations, we have seen an increase in contributions of non-cash assets. For example, donors who contribute appreciated shares receive two tax benefits: the gifted shares are not liable for capital gains tax (CGT), and the donor can also claim income tax relief for the market value. We anticipate that donors will increasingly donate non-cash assets to donor-advised funds in the coming years.

We have also seen a rise in the use of donor-advised funds to ensure regulatory compliance. Regulations – particularly around trustee responsibilities and grantmaking due diligence – are constantly evolving. Using a donor-advised fund ensures that a donor is assured of regulatory compliance with the latest regulations.

We have also seen international donors using UK donor advised funds to manage their philanthropy and cross-border giving.

We expect growth to continue because donor-advised funds are convenient and can be used as a giving tool in so many ways – by different generations, across different geographies, and on all time horizons.

## **SUMMARY**

Donor-advised funds continue to grow in all key metrics. 2019 marks the seventh year in a row of growth in contributions to donor-advised funds. Grants from donor-advised funds have grown at a compound annual growth rate of 18.5 per cent between 2015 and 2019. The consistent growth demonstrates that donor-advised funds are becoming well-established as effective giving vehicles in the UK and will likely have a growing role in the philanthropic landscape over the longer-term.

# METHODOLOGY

## **ORGANISATIONS**

This report examined 11 charities registered at the Charity Commission of England and Wales that sponsor donor-advised funds.

## **PRIMARY DATA SOURCES**

The primary source for each charitable sponsor's assets, contributions, and grants is the organisation's Annual Report filed with the Charity Commission of England and Wales.

## **SECONDARY SOURCES**

The following served as secondary sources for the above data and cited statistics:

- Filings at Companies House
- The organisations' websites
- Survey responses from Charitable Sponsors

Projections are based on National Philanthropic Trust UK's experience and anecdotal evidence over the past year, in addition to observed economic and political conditions.

## **STANDARD FISCAL DATA BY FILING YEAR**

Since organisations have varied financial year-end dates, data was recorded in the filing year. For example, whether an organisation's fiscal year ends on 31 March 2019 or 31 December 2019, the data will be recorded as 2019.

## **PAYOUT CALCULATION**

Payout from donor-advised funds is calculated as the current year's grants divided by charitable assets held at the end of the prior year.



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