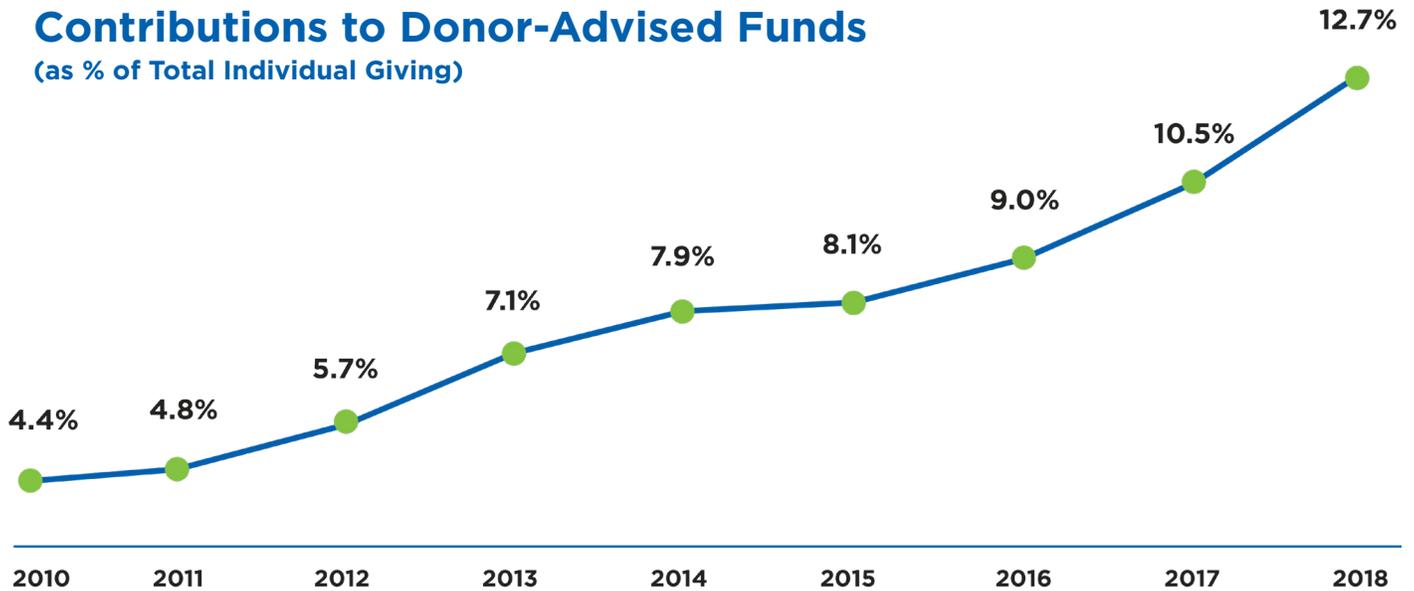


## Trust & Investment Management Group

### Contributions to Donor-Advised Funds

(as % of Total Individual Giving)



**Notes:** Individual giving estimates are from Giving USA 2019. All values reflect the most current data available from Giving USA 2019 and from National Philanthropic Trust's collected data on donor advised fund contributions based on IRS Forms 990 and estimates. We recognize that donor-advised fund contributions are not entirely from individuals. Using individual giving consistently as the denominator provides a continuous point of comparison.

#### Mike Davidoff, CFA®

Vice President, Senior Investment and Business Development Officer

**“Life’s persistent and most urgent question is ‘what are you doing for others?’”**

**– Martin Luther King, Jr.**

One of the most common expressions we have heard and read in 2020 is “We are living in unprecedented times.” The dramatic pace and depth of the events unfolding in 2020 has been mind-numbing and difficult to emotionally process for many of us. There is a major gap between needs and available resources across individuals, businesses and non-profit agencies.

One way to make a positive impact is charitable giving. Many research studies have demonstrated that doing something generous boosts “feel good” chemicals in our brains, such as serotonin (a mood-mediating chemical), dopamine (a feel-good chemical) and oxytocin (a compassion and bonding chemical). Other health benefits associated with giving can include lower blood pressure, increased self-esteem, less depression, lower stress levels, longer lifespan, and greater happiness and satisfaction.

Many non-profit organizations have unique challenges in our current environment. There is a perfect storm of negative circumstances as demand for social services have often dramatically increased, the ability to serve those needs is more difficult,

and the financial resources available are reduced as fundraising and revenue generation is tougher.

The rise of food insecurity is one example that is persistent in many of our communities. In my local community, Food Gatherers is a food bank and distributor located in Ann Arbor who serves people with hunger needs across southeast Michigan and surrounding areas. Since April, the organization has distributed an average of 30% more (year-over-year) food each month. This is despite the challenges of lower food donations, supply chain disruptions and the loss of local volunteers to help put together food packages.

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**This is a difficult problem that does not have an easy solution. These challenges are rippling across the social service organizations in our communities and across the globe, and they need a lot of help.**

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A recent innovation that has been popular in the world of individual charitable giving is the creation of donor-advised funds. My wife and I opened our first donor-advised fund this year, and the early experience has been very rewarding. Donor-advised funds possess similar characteristics that work well in other popular personal finance and investing innovations such as health savings accounts, 401(k)'s for retirement savings and 529 plans for college savings.

For my family's own personal experience, we have enjoyed the benefits of owning a donor-advised fund because it checks the boxes in terms of:

**Automation** We treat our account like a 401(k) or 529 plan with automatic monthly funding from our budget; this removes any friction on decision making and keeps a steady flow into our charity bucket.

**Budgeting** Our family's historical way of charitable giving was to put \$100-\$200 on a credit card to pay for a donation for a friend's 5k race fundraiser. I have no doubt that we historically gave less to charity because of a natural concern and feelings of guilt around increasing our credit card debt. The feeling is much different when you pull from

funds that are mentally targeted for giving.

**Technology** Most financial plan sponsors have sophisticated websites and apps that allow you to track your account balances, easily and efficiently send out new grants and track your history of donations by recipient.

**Tax Efficiency** You can donate shares of highly appreciated stock which minimizes your tax burden and is a nice behavioral reward for paying forward your investment gains for your winners.

**Investing** Your assets can compound, tax-free, over time by being in the market.

**Education for your kids** We have used this as an opportunity to involve our teenaged kids in having a voice in choosing charitable organizations that mean something to them and reinforcing principles of compound interest in investing.

There are many other ways to donate funds to charitable organizations, and you will need to experiment to find what works best for you. The key is get started and not worry about finding perfection in choosing the absolute best organizations for your donations or the best way to go about giving.



**Donor-advised funds are simple to operate and understand**

You make an irrevocable contribution of personal assets, including cash, stock or real estate, for example

You immediately receive the maximum tax deduction that the IRS allows

You name your donor-advised fund account, advisors and any successors or charitable beneficiaries

Your contribution is placed into a donor-advised fund account where it can be invested and grow tax-free

At any time afterward, you can recommend grants from your account to qualified charities

If you would like to learn more about donor-advised funds, please contact your Bank of Ann Arbor investment officer or trust officer.

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**SOURCES:**

1. *Time Magazine: Being Generous Really Does Make You Happier*
2. *Food Gatherers: foodgatherers.org - Fall 2020 Newsletter*
3. *National Philanthropic Trust (www.nptrust.org) - The 2019 DAF Report*



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The logo for Bank of Ann Arbor, featuring the text "bank of ann arbor" in a white, lowercase, sans-serif font. The word "of" is smaller and positioned between "bank" and "ann". The logo is contained within a blue rounded rectangle with a white border.

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**We love to help.**  
How can we help you?

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