

Presentation Transcript

May 14, 2020 – Webinar Donor Advised Funds and Their Critics

The Effective Philanthropy Learning Initiative at Stanford PACS hosted an online webinar with Q&A. Law, business, graduate, and undergraduate students shared their learnings, research, and recommendations from the winter Policy Lab practicum on donor advised funds led by Stanford Law Professors Joseph Bankman and Paul Brest, and Visiting Scholar Daniel Hemel.

Transcription sponsored by the Charles Schwab Corporation

Advice Given by DAF Sponsors to Donors

COURTNEY COOPERMAN: Good afternoon, I'm Courtney Cooperman.

KAVYA SHANKAR: I'm Kavya Shankar. I'm a second year at the business school.

COURTNEY: And, together, we'll be discussing the advice that DAF sponsors offer to their donors.

We know that many donors, especially high-capacity donors, are interested in getting advice on their philanthropic giving. They want to know which philanthropic causes to pursue, what particular organizations to fund, and how to engage their families. While some rely on online resources and personal networks, many are paying for this information. We wanted to understand. Given this donor interest in advice, how are DAF sponsors responding? Are they offering philanthropic advice? And, if so, what is the perceived quality of this advice by donors?

Advice should matter to DAF sponsors for two reasons. First, advice can serve as a differentiator between DAF sponsors in an increasingly crowded market. Second, advice can influence where people donate, which is meaningful for certain DAF sponsors that have their own giving philosophies. For example, a local DAF sponsor, like the Silicon Valley Community Foundation, may have a preference for local giving, and the single-issue DAF sponsor, like a Jewish community foundation, may have a preference for giving that supports Jewish causes. By offering advice to their donors, DAF sponsors can increase awareness of and boost donations to non-profits that align with their priorities.

National, single-issue and community DAF sponsors are all offering advice to their donors in a variety of ways. One of the most common ways that DAF sponsors guide their donors giving is by facilitating connections among like-minded donors. They can point new donors to more experienced donors who are seeking inspiration or have questions about giving to a particular cause. Single-issue DAF sponsors bring familiarity with issue areas. For example, a place-based staff sponsor may offer advice around the most urgent local issues and which organizations have a proven track record in addressing particular needs. Many DAF sponsors provide personalized services to their largest donors. DAF sponsors offer workshops, consultations on family giving, and other customized opportunities to high net worth donors.

KAVYA: We conducted interviews with 15 high capacity donors giving away at least \$10,000 per year. Through our questioning, we aim to understand three things. One, what leads to the selection of a particular DAF sponsor? Two, how does the donor engage with the DAF sponsor, especially around advice? And, three, where else are donors getting their advice from?

On one, overall, donors seem to be choosing DAF sponsors either reactively through guidance from their financial advisor or company, or proactively, depending on a range of characteristics that does not include advice. These characteristics include things like fees, complexity of assets that the DAF sponsor can handle, ease of execution and willingness of the DAF sponsor to customize.

Two, donors also have a low engagement with their DAF sponsors. Among our interviewees no donor worked regularly with their DAF sponsor. We think this could be for two reasons. One, there is a lack of awareness around the advice that DAFs can offer. And two, donors view the DAFs as an implementation vehicle and only tune into their DAF when they're ready to execute a transaction.

And, finally, three, instead of getting advice from DAF sponsors, donors are currently turning to peers, giving groups, and sometimes philanthropic advisors, although almost all donors we spoke with wish they had access to better advice.

Thus, in conclusion, our research suggests that there's a lot of opportunity for DAF sponsors to both improve their donor education, as well as their advice offering, itself. As the DAF sponsor space continues to get more crowded and commoditized advice continues to be an opportunity for DAF providers to offer a differentiated value proposition and aid donors in their decision making.