Giving Vehicle Use Among High-Capacity Donors in the Bay Area and Implications for Nonprofits

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Introduction

Between 2008 and 2013, Bay Area donors, many of whom have acquired quick wealth through IPOs in the technology industry, drove a 150% increase in charitable giving in Silicon Valley. These donors are using an increasing number of giving vehicles, including private foundations, donor-advised funds (DAFs), giving circles, and limited liability corporations (LLCs). The increasing variety and number of these vehicles has led to a landscape of giving that is "increasingly complex and fragmented," according to "The Giving Code," a 2016 report that detailed these findings.[1] With such a variety of giving vehicles to choose from, how and why do donors choose which ones to use? And how are these vehicles affecting donors' philanthropic practices and NPOs fundraising work?

Publicly available data sources, including "The Giving Code," provide an overview of the use of giving vehicles and their benefits to donors, but they don't speak to these "how and why" questions whose answers could help us understand how giving vehicles influence the philanthropic process. To address these questions, the Effective Philanthropy Learning Initiative (EPLI) at the Stanford Center on Philanthropy and Civil Society (PACS) interviewed high-capacity Bay Area donors about their philanthropic practices and local nonprofit leaders about their fundraising practices and relationships with donors.[2]

[1] Culwell, A. C. & Grant, H. M. (2016). The Giving Code. Retrieved from Open Impact website: https://www.openimpact.io/giving-code
[2] This study was supported by a generous grant from the David and Lucile Packard Foundation.

We found that, for the most part, donors' choice of giving vehicle had little influence on their philanthropic practices. The main exception was the DAF, which one donor said enabled them to separate the funding of their giving from the actual giving, while another donor explained that it encouraged their generosity because once the DAF was funded, money couldn't be retrieved. Of all our questions, donors had the most to say about their reasons for preferring some vehicles over others. The most popular vehicles were DAFs, credit cards and checks. Many donors chose DAFs because of their tax advantages, relatively low cost, and ease of use; others, who prioritized speed and ease of the transaction, preferred credit cards or checks. NPO leaders, for their part, were happy to receive donations through any vehicle, but found credit card processing fees particularly challenging, and in a few cases were also frustrated by anonymous gifts given through DAFs.

This report details these and other findings about the philanthropic behavior of Bay Area donors as it relates to their use of giving vehicles and the ways that those behaviors impact local nonprofit organizations. We conclude with a set of recommendations and questions for reflection that emerged from a workshop in which we discussed our findings with a variety of philanthropic stakeholders.

Methods and Sample

Donors

Between February and October 2020, the EPLI research team interviewed 55 high-capacity donors in the San Francisco Bay Area about their philanthropic practices and experiences with giving vehicles. In addition to asking donors about giving vehicles broadly, we included a detailed subset of questions for DAF holders, as this type of vehicle has recently become popularized and was of particular interest. Interview protocols were designed to help us understand how donors decide between giving vehicle options and what purpose each vehicle serves for them; how donors learn about different giving vehicle options and how they select the one(s) that are right for them; which kinds of professionals support them in making and executing these decisions; how familiar they are with differences between community foundation DAFs and national-level DAFs; and how DAF sponsors connect donors with community organizations. Specifically, we designed our interviews to address two questions:

1. How do donors learn about and select different giving vehicle options, and what variables do they consider when selecting a giving vehicle?
2. How do vehicle choices affect philanthropic behavior?

Many studies of philanthropists, including the US Trust Study of High Net-Worth Philanthropy,[3] focus on "high-net-worth donors" and use measures of income or net worth to define "high-net-worth." To better focus on high-capacity donors' actual philanthropy rather than the amount of their income or assets, we used annual giving amounts to identify interviewees. Our threshold was $10,000 given annually to 501(c)(3) organizations; while many donors in our sample gave well above this threshold, we wanted to include nascent donors whose giving we anticipated might grow substantially in the future. These nascent donors were not necessarily younger than other donors; in fact, annual giving amount was not strongly

[3] Bank of America Private Bank, The 2018 U.S. Trust Study of High Net-Worth Philanthropy. Retrieved from https://www.privatebank.bankofamerica.com/articles/2018-us-trust-study-of-high-net-worth-philanthropy.html

correlated with age among the donors in our sample. Donors were initially recruited purposely via the Stanford PACS network and researchers' personal networks, and then subsequently through snowball sampling.

The donors we interviewed had acquired wealth through substantial income, inheritance, or a combination of the two. Some were employed full-time, while others were employed part-time or were not employed. Several had professional experience in philanthropy or nonprofits. Table 1 summarizes our sample's gender, age, and annual giving distributions, as well as preferred vehicle types. Of the 55 donors we interviewed, 21 were male and 34 were female. Ages ranged from 20 to 79, although most (51) were between the ages of 30 and 69. Donors' annual giving amounts ranged from $13,000 to $5 million; 21 gave $10,000-$50,000 annually, 14 gave $50,000-$100,000 annually, eight gave $100,000-$500,000 annually, four gave between $500,000-$1 million annually, and eight gave over $1 million annually. Checkbooks or credit cards were the primary vehicles of 17 donors; 33 preferred DAFs, 4 donated through family foundations, and 1 did not identify a primary vehicle type.

Table 1. Donor Sample's Descriptive Statistics (n=55)

Gender		Age						Annual Giving Amount (in thousands of dollars)				
Male	Female	20-29	30-39	40-49	50-59	60-69	70-79	10-50	50-100	100-500	500-1,000	>1,000
21	34	1	11	14	14	12	3	21	14	8	4	8

Primary Vehicle Type *One donor chose not to disclose their primary vehicle type		
Checkbook/Credit Card	DAF	Family Foundation
17	33	4

We did not ask donors to self-identify racially; however, we believe based on names and appearances that about 80 percent of our participants were white and about 20 percent were of Asian descent; to our knowledge, there were no black or Latinx donors included in our sample. While our sample included substantial variation in age, profession, annual giving amount, and gender, it was not designed to be representative of the broader population of high-capacity donors in the Bay Area. In particular, our sampling strategy of network-based recruiting meant that many participants were affiliated with Stanford PACS or other donor networks. This strategy may have yielded a sample of donors who were more familiar with philosophies related to philanthropy than the "average" donor might be; many of our interviewees did in fact refer to such philosophies during interviews.

Leaders of Nonprofit Organizations

To understand the use of giving vehicles from recipients' perspectives, we interviewed 26 nonprofit leaders representing diverse organizations from across the Bay Area about their funding sources and relationships with donors. We asked these leaders how their organizations received gifts from individual donors, how they built relationships with them, and how different giving vehicles affected the fundraising process. The nonprofit leaders we spoke to held Executive Director, Development Director, or equivalent positions and worked for organizations that addressed education, homelessness, advocacy, international development, animal welfare, environmental conservation, and youth empowerment. Table 2 summarizes these organizations' locations and annual budgets. Eight were located in San Francisco, six in Alameda County, three in Napa County, three in San Mateo County, three in Santa Clara County, and one in Marin County; two served multiple Bay Area counties. (We reached out to several organizations in Contra Costa and Solano counties but did not receive responses.) These organizations' annual budgets ranged from under $100,000 to over $5 million; three were under $100,000, four were $100,000–$500,000, three were $500,000–$1 million, six were $1 million–$5 million, and ten were over $5 million.

Table 2. NPO Sample (n=26)

Bay Area County						
Alameda	Marin	Napa	San Francisco	San Mateo	Santa Clara	Multiple Counties
6	1	3	8	3	3	2

Annual Budget (in dollars)				
<100,000	100,000-500,000	.5-1 million	1-5 million	>5 million
3	4	3	6	10

In the following sections, we give voice to the individuals we interviewed by using direct quotations from our interview transcripts. We have adopted a standardized, rather than a preservationist, approach to these quotations: to improve readability, we have slightly edited them to remove repetitions and "crutch words" such as like, um, and you know.[4] We use pseudonyms throughout the paper to protect our interviewees' anonymity.

[4] Blauner, B. (1987). Problems of editing "first-person" sociology. Qualitative Sociology. 10, 46–64.

Findings

Donors' Experiences with Giving Vehicles

Donor Advised Funds: Tax Advantages and Separating Funding from Giving

DAFs were the most common primary giving vehicle among the donors we interviewed. Of our 55, interviewees, 33 had a DAF and several had multiple DAFs or used DAFs along with other vehicles. Donors expressed strong satisfaction with their DAFs, which were popular across age groups and annual giving levels. Donors who had been giving significantly for many years and who were giving at higher levels were more likely than younger and lower-level donors to choose a DAF (or a family foundation) over a checkbook or credit card as a primary vehicle. Of the 33 DAF holders in our sample, 19 had opened their account within the last ten years, and 17 donors had held a DAF for over a decade; 9 of the 17 had held a DAF for more than two decades. Donors tended to choose DAFs because of their tax advantages, relatively low cost, and ease of use. For example, one donor who selected a DAF explained her choice:

> We set up the DAF when we had a stock liquidity event, and it was tax advantaged all at once, and then give it away over time and average it out. So, that's how it started. We had a more significant liquidity event and a bigger decision between a foundation or a DAF. And our advisors pretty much said a DAF is just lower cost. And so, I mean, I'd rather see more of the money go to charity. So [that] sounded good to me, and so that drove that.

Many donors had opened DAFs to maximize tax benefits at the suggestion of a financial advisor, and some said that the DAF allowed them to be "tax savvy" or "tax efficient." All the DAF holders we interviewed valued getting the tax benefit up front, but they were split on the question of how the tax deduction affected their charitable giving: some said that the tax deductions were central to their efforts to maximize charitable impact and that they might avoid nondeductible gifts, while others said their giving choices had "nothing to do with a tax deduction," as one interviewee put it.

Some donors saw DAFs as central to the way they thought about their giving practice. For example, one very experienced donor who gave through a DAF said that its primary benefit was in enabling her to distinguish funding from giving:

> The main reason we've done it is to separate the funding from the giving. So, [if] we don't put it [money] in until [we want to gift it], then we might as well write a check. So, it's been more that things like stock events and things like that happen; that's when we fill it up, when we've got a liquidity event. And we spend it at whatever pace we want to spend it. It really allows us to separate the two things.

For this donor, the ability to set funds aside at one point in time and disburse them later was a huge benefit of a DAF. In this sense, the DAF actually changed how this donor practiced philanthropy. This effect on giving was echoed by a few other DAF holders we interviewed. In particular, newer donors said that the DAF encouraged generosity because once they put money into it, they couldn't take it back; this feature had helped them continue giving during market downturns associated with the Covid-19 pandemic.

Although most of the DAF holders we interviewed were content with their giving vehicle, some had critiques. Several donors were disappointed that at fundraising events, they either could not use their DAF to pay for tables or could only pay for portions of tables. DAFs also dissuaded some donors from committing to making multi-year funding pledges to nonprofits because this is technically prohibited, although some donors found workarounds by making less formal commitments to the organizations they support. Finally, some DAF sponsors took weeks to mail checks to NPOs, and a few donors found this frustrating—in one case, a donor avoided using her DAF out of a desire to expedite a donation.

Choosing a DAF Sponsor: Convenience, Rates, Speed of Payment, and Investment Options

Donors who opted for a DAF had a variety of sponsors to choose from. The most popular were national sponsors such as Fidelity and Schwab (chosen by 26 participants), followed by community foundations such as the Silicon Valley Community Foundation (10 participants), and affinity sponsors (often national institutions committed to supporting a certain group of people or cause) such as Amalgamated or the Tides Foundation (7 participants). In addition, one donor held a DAF at a single-issue sponsor, and nine donors held multiple DAF accounts. Donors' methods of evaluating and choosing their DAF sponsors were surprisingly uniform. Those who chose a national sponsor typically did so at the advice of some type of financial advisor. Donors who chose DAFs as a primary giving vehicle often had not done extensive research on DAF sponsors or on alternative vehicles and instead prioritized convenience: most had chosen whichever sponsor they had existing accounts with. As one donor with a DAF at a national sponsor explained, he had chosen it because of "the ease of integration with the rest of my system."

Donors appreciated national sponsors because the rates they charge for accounts are relatively low, their online platforms are easy to use, and they send checks to NPOs very soon after the donor makes a request. These donors rarely used or expressed appreciation for the educational and support services offered by national sponsors.

By contrast, many donors who had DAFs at a community foundation had used the services they offered, including philanthropic advisors, giving circles, and local events. Donors' assessment of the quality of these services varied. Donors also complained that community foundations tended to charge higher fees and could take several weeks to send checks to NPOs once the donor had requested a grant to be made from their account. Payment could be further delayed if the NPO was not already listed in the sponsor's database—a problem that was much more frequent at smaller DAF sponsors, according to participants.

Donors who had chosen affinity sponsors were much more likely to have multiple DAFs and had often chosen them due to their alternative investment strategies or options. Affinity sponsors frequently allowed donors to invest their DAF assets in ESG funds, recoverable loans, or other types of "impact" investments. One very practiced donor had two DAFs that she used in tandem: one whose investment strategies she valued that she used as her "savings account DAF" and a second whose user interface was particularly easy to employ that she used as her "checking account DAF." So, for more sophisticated donors, the plethora of available DAF sponsors was a useful tool that allowed them to customize and fine-tune their philanthropic practices.

Investment Performance of DAF Funds: Not of Central Concern

All sponsors gave donors various options for investing their funds. We found, though, that few donors managed their DAF similarly to their other investments. Several of those we interviewed did not know or care how the funds in their DAF were invested, and investment performance was irrelevant for those who kept a low balance or transferred funds into the account soon before disbursing them. Many donors told us that they were unconcerned about investment performance, and some had chosen to invest their funds in various types of social welfare indices or organizations that generally yielded low returns. Only one donor used the DAF specifically to try to increase the amount he had available for charitable donations—he did not actively make grants out of the DAF and invested the balance of his account into "big growth stocks" in the hope that they would grow substantially over the next several years.

Anonymity: An Occasional Preference

Finally, we asked donors how often they used their DAFs to make gifts anonymously. The majority said that they preferred to share their name both with the organization and publicly, because they believed that supporting an organization publicly could encourage others to support it too. No donors always chose to give anonymously, but seven said that they sometimes made anonymous grants through their DAF. Sometimes these donors provided only the name of their fund, which they chose themselves and which revealed varying amounts of information about donors, and sometimes they provided no name at all. Donors gave several reasons for wanting to remain anonymous to grantee organizations. The most common was to avoid being put on mailing lists, particularly when they saw this type of donor outreach as wasteful. One DAF holder expressed this succinctly:

> I just don't want to get on mailing lists. They tend to love to put you on a mailing list and start sending you off stuff. And…it's costing them money to do that, and I'd rather see the money going to the causes as opposed to fancy brochures and things like that.… I sent something through my donor advisor once to [grantee organization], and I cannot get them to stop sending me stuff in the mail. And it's just frustrating—here's an organization that supposed to be civil rights based, and yet I can't get them to stop harassing me with these requests to fill out a survey.

Donors also chose to remain anonymous to organizations when they did not want their participation in various advocacy efforts to be public or when they were concerned that their gift could affect the professional lives of their children.

Checkbooks and Credit Cards: Convenience and Processing Fees

Checkbooks and credit cards were popular vehicle choices among the donors we interviewed. All donors used them for some gifts, and 17 used them as their primary giving vehicles. Of those 17 donors, 11 gave $10,000–$50,000 annually, four gave $50,000–$1 million annually, and two gave over a million dollars annually. Donors who used checkbooks and credit cards typically kept track of annual donations in a spreadsheet or by forwarding receipts to a bookkeeper. Record keeping was generally not problematic, although in one case a donor occasionally failed to remember where she had made donations earlier in the calendar year and unintentionally duplicated annual gifts. Donors who used checkbooks or credit cards as secondary vehicles typically used them for small gifts; definitions of a small gift ranged from under $100 to under $1,000. Donors used checkbooks and credit cards for online fundraisers, such as those on Facebook, and to pay for tables at fundraising events, since regulations could prohibit them from using their DAF to pay for tables. Slightly more donors preferred checkbooks to credit cards, but some preferred the speed, ease, and versatility of credit cards. Grace, a technology professional in her 40s, explained her preference for credit cards in a way typical of others with whom we spoke:

> I mostly will use credit cards; I don't worry about them. When an organization will ask us not to, I'll write a check. It's just so much simpler, and so when I think about it…if I'm in between meetings or I'm in a meeting that's not as critical, I can click in three taps and be done. Or I have to be more thoughtful about sitting down and writing a check and sending it, and even just that small amount of overhead probably means either I do it right away that night, or there's a risk it goes into the black hole and maybe doesn't get done.

Most donors who preferred checkbooks and credit cards were busy working professionals who chose their giving vehicles based primarily on the speed and ease of the transaction. Several were also explicitly uninterested in having more formal vehicles. John, a retiree who donated a million dollars annually through checks and direct stock transfers, told us he was satisfied with his giving vehicles and had not looked into alternative vehicles. Luke, a young, progressive inheritor who planned to give away $1 million in 2021, said he might decide to get another vehicle at some point but did not want his money invested in the stock market because he considered it a system of economic oppression. And Steve told us he preferred credit cards because NPOs have immediate needs and he didn't want his funds to sit in an account, as they would, he believed, if he opened a DAF.

One major downside to credit cards, according to our participants, was their costly processing fees, which were shouldered by the recipients. Donors who gave through checkbooks and credit cards were generally aware of these fees but responded to them differently. For example, one donor found check writing tedious but used checks because she was outraged by the credit card processing fees charged to nonprofits:

> I don't like the processing fees for the credit card. It drives me crazy. I donated just this last week to an organization…in Contra Costa County. And I donated $100 and they charged eight dollars processing fee. I was like, "That is ridiculous." So, I don't know, larger donations... I hate writing checks, but I'll do it…

Other donors disliked the fees but chose to use credit cards anyway because of their convenience, and one donor resented nonprofits' requests that donors using a credit card add an additional amount to cover the fee:

> It feels petty. And it feels to me like... And I do it, by the way. I do it. I always do it, but I don't like it. It just feels like, 'really?' Is the five grand not enough? Are you really going to…me down, and make me think I'm not good enough if I don't pay the damn credit card fee? You know what I mean?

Donors who preferred credit cards had to weigh their convenience against the financial cost to nonprofits, and the outcomes of these calculations varied.

Family Foundations: Rarely Preferred

Overall, family foundations were not popular vehicles in our sample. Foundations were only considered when donors were planning to give away very substantial amounts of money—at least a million dollars annually—and had significant assets to put into the foundation when they opened it. Of the eight donors we interviewed who had family foundations, only three were using the foundation as their primary giving vehicle, and all had other vehicles through which they did a substantial portion of their giving. Two of the eight family foundations were staffed, and the others were managed exclusively by donors themselves. A few of those we interviewed had inherited foundations from their parents, who had opened them as far back as 30 years ago and as recently as 2006.

All three of the donors who used their family foundation as a primary vehicle were inheritors who were involved in the activities of the family foundations their parents had set up years ago. When asked why her parents had chosen a family foundation, a new donor in her 30s who was taking the reins of her family's foundation explained, "My understanding is they wanted to create a foundation because they wanted to build this legacy of longer-duration giving past their own lives and something that would carry on for generations and generations." She also said that she loved the family foundation structure and that her parents had done well to set it up as a trust, rather than a corporate entity, to avoid requirements such as documenting meeting minutes, for example. But even though she was stepping into a management role in the foundation, she and her husband had also recently set up a DAF for their personal giving.

Another inheritor, who also gave through multiple DAFs, said that her parents had set up a foundation over 30 years ago largely due to tax benefits: “Some attorney told them it was a good idea for taxes. It didn't really change anything they did. At the time that they became a foundation, my mom was writing checks and putting yellow Post-it notes on them saying, “Thank you for your support,” and mailing them. She continued to operate that way, except that it was a foundation.” One other inheritor, whose father had set up a family foundation, did most of her giving via check, largely due to family tensions that had arisen in the context of the foundation.

We wondered how the 5 percent minimum annual payout that family foundations require affected giving vehicle choice, but this subject came up in only two interviews. In one case, a donor with a family foundation deposited 5 percent of the foundation’s funds into a DAF each year to satisfy the payout requirement. She then made donations through the DAF on behalf of the foundation. The other donor, who gave through a DAF, set a goal of disbursing 5 percent of the balance of her account annually to mimic a family foundation. In any case, the 5 percent payout requirement did not seem to be particularly burdensome to donors who had family foundations, and they could work around it by using a DAF in conjunction with the foundation.

Two donors had previously set up their own foundations after substantial wealth events but were no longer using them as their primary vehicle. Both had switched to using DAFs, in one case because the foundation had been intentionally spent down and in the other to avoid the cost and requirements of a family foundation. Two other donors had very recently set up their own family foundations but had not begun to use them as primary vehicles. One of these donors had set up the foundation two years ago but continued to do all their giving through a DAF. The second donor had set up the foundation as "an experiment to see if that was the vehicle that I wanted for us," but at the time of our interview was considering shutting it down.

Our sample of donors with family foundations was particularly small and so perhaps not suggestive of larger trends, but as a group they were ambivalent toward the vehicle. One donor, who had inherited a family foundation from her mother-in-law, had recently switched to a DAF after discovering that the foundation sponsor had been overcharging them. However, she questioned the popularity of DAFs as a replacement for family foundations:

> We have had, for the last 15 to 20 years, a family foundation. And we've been writing checks out of that. And in the last couple of years we shifted to a donor designated fund, and it's an interim fund, I think. I don't particularly like it... I think the trend is [that] a lot of organizations have felt that the donor designated fund is suddenly hot and values giving is hot, and so everybody wanted to move into those two areas…Moving out of the family foundation, I think we'll move to a more solid designated fund, but right now…I have serious doubts. My husband [created the DAF] because we needed an interim place to put it after we folded the foundation.

This donor found the family foundation structure easy to use and did not find a DAF to be more useful or more beneficial. Conversely, we interviewed a donor who had opened a family foundation in connection with a liquidity event in 2000. While the foundation had seemed like the right option at the time, she questioned whether she would make the same choice again, in large part due to the annual expense associated with audits. In addition to the foundation, this donor had three DAFs and was considering moving the bulk of the foundation's assets into one of them.

Other Vehicles

A few donors in our sample used vehicles beyond those listed above. One gave through paycheck deductions, two gave through direct stock transfers, and one gave through a living trust. Four donors used their retirement plans as a primary source of funds for charitable giving or intended to do so once they became eligible in a couple of years. Additionally, 13 donors gave through a giving circle. None used the giving circle as their primary vehicle; they used it rather as a way to supplement their other giving, learn about issue areas and relevant grantee organizations, and support certain causes broadly. Donors varied in their level of engagement with the giving circles, and the giving circles themselves had varying levels of formality—some were staffed organizations with over 200 members, and others were informal groups of a handful of donors committed to learning together and distributing collective funds. Finally, while we expected that some donors who gave in excess of a million dollars annually may have chosen an LLC, none in our sample used that vehicle for charitable giving or expected to in the future.

Nonprofits' Experiences with Giving Vehicles

The organizations in our sample had a wide variety of budgets, staff capacities, and missions, and the nonprofit leaders we spoke with described a similarly diverse range of funding sources and fundraising practices. We asked each interviewee about the breakdown of their funding sources and the percentage of funds that came from individual donors. Five of our interviewees said that their organizations received the largest portion of their funding from individual donors; the other organizations received the most funding from government grants, institutional funders, or earned income. The estimated percentage of funding from individual donors ranged from 1% to 70%, with a median value of 20%. However, these numbers may not be exact, as there were discrepancies in the ways that nonprofit organizations categorized funding from individual donors. For example, some organizations counted gifts from small, unstaffed family foundations as gifts from individuals, while others lumped them together with gifts from large, staffed foundations. Similarly, some organizations counted funds raised at events together with gifts from individuals, while others distinguished between event fundraising and individual giving.

All the nonprofit leaders we spoke with said that that the use of a particular giving vehicle did not affect the way they interacted with or fostered relationships with donors. Most reported that they were happy to receive gifts from any vehicle and would not hesitate to find a way to accept a gift if it came from a new vehicle (for example, if a smaller NPO were offered a direct stock transfer without having received this form of gift in the past). While the use of a DAF signaled to several NPO leaders that a donor was high-capacity, they typically continued to treat the donor as they would any other donor who made a gift of the same size.

Credit Card Processing Fees

There were, however, two common complaints related to vehicles. The first concerned credit card processing fees. While the smallest organizations received funds from individual donors primarily by credit card through online portals due to the ease of setting up this type of payment platform, the majority of NPO leaders decried the high fees that came with credit card use and preferred to receive donations by check so as not to decrease the net donation amount. Donors were aware of this preference but responded to it in different ways, as discussed above. This variation suggests that NPOs may have trouble avoiding credit card costs altogether but may be able to mitigate them by educating donors about the fees they have to pay on credit card transactions. These efforts run the risk, however, of frustrating some donors who see the act of pointing out the fees as petty.

Anonymous Donors: Hidden Costs

The second common complaint related to giving vehicles concerned the anonymity associated with some DAF disbursements. While many NPO leaders were happy to receive gifts regardless of whether a name was attached, several felt that anonymous gifts from DAFs hampered their attempts to thank donors and build relationships with them and in some cases required additional time for development staff or leadership to follow up on the gift. One nonprofit leader explained:

> We do have some fairly large anonymous gifts that come through DAFs, which is always a double-edged [sword]. It's obviously not a bummer to receive a very generous gift, but it is a bummer not to be able to thank that person personally, or understand their giving motivations, or easily keep them updated.

Anonymous donations hindered this leader's ability to do her development job well. Similarly, the Director of Development of an education-focused nonprofit with an annual budget over $5 million lamented that gifts received without a name are "always frustrating because it takes a bit of sleuthing to figure out." Both these leaders were pointing out that anonymity often came with a cost to NPO staff. A few NPO leaders explained that it was often unclear whether anonymous donors had intended to give anonymously and that this could result in difficult misunderstandings with donors. For example, one Director of Development said:

> Sometimes we've gone a couple of months before we figure out who gave the donation, and in the worst case, the donor is annoyed with that, right? Because they think that it's our problem, or something that we've failed to follow up with them on or something. So it does require a bit of damage control.

In these cases, donors likely did not intend to give anonymously but did so accidentally through their DAF's website.

The severity of this issue varied substantially among NPOs. Six of our interviewees said that they never received anonymous gifts or that anonymity was not a problem at all for their organization. Of those who were burdened by anonymous giving, estimates of the prevalence of these types of gifts ranged from an occasional anonymous gift, to 5 percent of total gifts from individual donors, to 50% of gifts received through DAFs. Overall, the issue of anonymity seemed to be more of a nuisance than a major difficulty.

Although it was most common for NPOs to receive anonymous gifts from DAFs, such gifts also occasionally came from giving platforms such as Benevity—which some companies use to match employee donations—and through direct transfers of stock; in these cases NPO leaders experienced the same issues as with anonymous DAF funding.

Relationships with DAF Sponsors

NPO leaders also had mixed experiences with—and opinions of—DAF sponsors. Experiences with community foundations in particular varied widely. Some organizations had very positive relationships with local community foundations and considered them to be key allies. The Executive Director of an organization that supports low-income families said that their local community foundation had been like "a partner of ours." She explained:

> We have a close working relationship with the staff there. They are good at communicating with us. If we have questions, they're very responsive. And I guess we work with them not just on the donor advised [fund] side, but…on the general foundation grant side. And I think I make pretty regular communication with somebody from the community foundation on a monthly basis…so it's pretty regular. We're participating in a number of different initiatives and work with them pretty closely.

A couple of other NPO leaders we spoke with expressed similar sentiments, but this type of experience was not exemplary of the group: several NPO leaders said they had no relationship with local community foundations or had had negative experiences with them. For example, the Director of Development of a large NPO focusing on homelessness described her organization's lukewarm relationship with a local community foundation:

> We've tried to cultivate some of those relationships….[with local community foundations]. It's not always easy. It seems like they're also a gatekeeper in a lot of ways. They're not as willing to—it feels like a sales-y relationship. They know that you're trying to sell your organization, and it's not really like they're looking for that information.

When we asked NPO leaders whether they were interested in building relationships with local community foundations, most said they were but either did not know how to go about it or had reach outed to a community foundation but hadn't managed to engage the foundation's staff. Organizations that were larger and had staff dedicated to development were more likely than smaller organizations to have attempted to build a relationship with a DAF sponsor—whether or not these attempts had succeeded.

On the other hand, none of the NPO leaders we spoke with had developed relationships with a national DAF sponsor. And when organizations received anonymous gifts from DAFs, leaders typically asked the DAF for the donor's name, but none of our interviewees had ever received a positive response to these requests, and they didn't know whether their requests or thank you notes had even been received. For example, one NPO leader had asked a national sponsor whether the sponsor would pass on any correspondence from the organization to an anonymous donor, and the representative of the national sponsor wouldn't give the leader an answer.

NPO Leaders' Wish List: More Individual Donors

Finally, many NPO leaders expressed a desire for greater amounts of funding from individual donors and from major donors in particular. Consistent with findings from a previous EPLI study, almost all the NPO leaders we spoke with expressed concern over a lack of diversification of their funding sources and struggled with the restrictions that came with government funding and the lengthy application process that preceded foundation funding.[5] For these organizations, funding from individual donors was particularly valuable in that it typically came with fewer strings attached and gave the organization the chance to steward relationships with donors. In addition, organizations tended to be aware and appreciative of corporate matches that accompanied some individual gifts and were thankful for this occasional boost in funding.

Charitable Giving Amid the Pandemic and Anti-Racist Activism

We began interviewing donors for this project in the spring of 2020, just as the severity of the COVID-19 pandemic was coming into focus, and we continued our interviews into the summer and fall months, which featured protests in response to racial violence. We were curious about how these events might affect giving and so inquired about whether and they were shaping donors' giving decisions. While four donors reported no change to their giving habits, most had responded to the pandemic in some way, although approaches varied widely. One donor said he had released restrictions on gifts he had already made, one granted an annual gift

[5] Andrews, E., Bartczak, L., Brest, P., Shamash, R., & Tantia, P. (2020). Community-Based Organizations and High-Capacity Donors: Relationships, Perceptions, and Behaviors. Retrieved from Stanford Center on Philanthropy and Civil Society website: https://pacscenter.stanford.edu/publication/community-based-organizations-and-high-capacity-donors-relationships-perceptions-and-behaviors/

sooner at the request of the organization, and two increased their giving to the organizations they typically give to amid concerns that the organizations might lose funding to organizations that were responding directly to the pandemic. A few donors reported a dramatic increase in their giving; others had given substantially to organizations that were providing direct service or were specifically serving local communities; and still others had made a lot of little gifts to organizations that were serving impacted communities. A couple of donors had made gifts to COVID-19 relief funds, and one had given money to individuals she personally knew who were struggling.

Two donors reported feeling activated or spurred into action and had invested time in learning more about local organizations that were supporting their communities or in convincing their friends to increase their giving. In addition, three donors had shifted their giving toward racial equity organizations or political or advocacy organizations. One donor was splitting her donations between organizations focused on direct relief and those working toward structural change. And one donor had become uncertain about her ability to give due to her husband's stock-based compensation and the stock market slump that occurred in the spring.

Stakeholders' Reflections and Recommendations

On January 26, 2021, EPLI convened a group of thirty donors, nonprofit leaders, community foundation staff, financial advisors, and philanthropic advisors to discuss the study's findings and implications for their work.[6] We wanted to take into account the thoughts,

[6] The January workshop was attended by 30 stakeholders, including Aude Anquetil (Magnify Community), Kristin Bartlow (Bartlow Wealth Management), Jen Risher, Marilou Seiff (Marine Sceince Institute), David Onek (SV2), Lizzy Danhakl Reed

reactions, and needs of various stakeholders as we formulated recommendations based on our findings. The following suggestions and questions for reflection draw heavily from these discussions.

Ideas and Opportunities for DAF Sponsors

1. Our study showed that anonymous gifts were not as central of a concern for Bay Area nonprofit leaders as we had initially hypothesized. Philanthropic advisors agreed that anonymity was not an issue their clients frequently brought up. That said, nonprofit leaders reported instances of donors making gifts anonymously in error, and in these cases, miscommunication between the donor and the NPO could ensue. For this reason, we suggest that DAF sponsors default to sharing a donor's name and contact information when they make a grant from their account and make it abundantly clear to donors when their identity will and will not be hidden from the grantee organization.
2. Community foundations serve as a bridge from nonprofits to the donor community. While some community foundations excel at engaging local community-based organizations (CBO)'s, others could improve their practice in this area. Community foundations currently serve a gatekeeper role, but there is room for this role to evolve to better support nonprofits and better facilitate introductions between donors and outstanding local organizations. For example, community foundations, and perhaps

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(Danhakl Family Foundation), Shilpa Andalkar, Marc Sidel (Hidden Villa), Jenny Ocon (UpValley Family Centers), Karen Wilkes (Hidden Villa), Lucinda Brommersma (SV2), Ben Mangan (Arabella Advisors), Daniel Kaufman (Third Plateau), Tracy Wingrove (SVCF), Maeve Miccio (SVCF), Nora Kim (SFF), Stonly Baptiste Blue, and Lisa Can Dusen (Palo Alto Community Foundation).

national sponsors, might allow vetted local NPOs to add themselves to an internal directory of organizations that would be available to donors looking to make grant in a specific area. Community foundations might also provide more accessible information to nonprofits about the foundation's funds, grantmaking policies, and communication policies.

3. Community foundations can offer wonderful resources to support local donors. However, many community foundations have a limited capacity, which can impact their ability to fully support donors, as well as their ability to reach out to and cultivate relationships with nonprofits. We suggest that community foundations carefully assess the best ways to address their capacity restraints, if they have not already done so.
4. For some donors, the poor quality of the user interfaces offered by community foundations and affinity sponsors was a deterrent from maintaining a DAF with them. Many community foundations likewise expressed an understanding of the shortcomings of their technology tools and donation platforms. We suggest that community foundations improve their online platforms to make it as easy for donors to issue grants through a community foundation as it is through a national sponsor; however, we acknowledge that we are not entirely aware of the barriers to this goal.
5. In our January workshop, donors and advisors expressed curiosity and interest about alternative investment options for DAF funds, including recoverable loans, ESG funds, and various types of impact investments. Some DAF sponsors have offerings for this type

of investment, but the majority do not or do not offer them to all donors. DAF sponsors should continue exploring ways to offer or increase their offerings on this front.

6. National sponsors might consider how much time and effort they put into additional donor services that may not often be used. Might they instead offer a service to connect donors with local giving circles for deeper engagement?

Ideas and Opportunities for Financial Advisors

1. Workshop participants acknowledged that there is often little incentive to get money out of a DAF once it has been donated to that vehicle. Donors are rarely pushed to disburse their DAF funds, and, neither DAF sponsors nor advisors have an incentive to encourage this behavior. In addition, wealth advisors have found it particularly difficult to move funds from a DAF when the giving has been decoupled from a tax or wealth event. How might donors be encouraged to quickly disburse DAF funds so those funds can serve their philanthropic purpose, and how might financial advisors particularly aid in this endeavor? Could this encouragement be factored into an annual plan or strategy?
2. One challenge for nonprofits is deciding how large a gift to request from a donor, while donors also struggle to set benchmarks for both annual giving and single gift amounts. In part due to cultural discomfort with conversations about money, no real benchmarks exist beyond the 5 percent payout requirement for foundations, which is not necessarily the best benchmark for individual donors. How can donors (and nonprofits) be supported in thinking about appropriate donation levels? How might wealth advisors support donors in this process?

3. Wealth advisors could play a more prominent role in donor education related to philanthropy broadly, and to various vehicles and best practices specifically. How can wealth advisors shift the conversation (or some conversations) from focusing first on taxes to focusing first or focusing simultaneously on philanthropic goals?
4. Financial advisors should clearly understand the benefits and shortcomings of various types of DAF, depending on the needs and goals of their client, and should present DAFs as excellent options to clients with significant assets in appreciated stock. But, as mentioned above, they should also coach clients to make regular disbursements from their DAF once it is established.

General Ideas and Opportunities for Stakeholders and Practitioners

1. In our conversations with nonprofit leaders, we learned that some nonprofits—generally those with smaller annual budgets—do not have access to any funding from DAFs and have few, if any, major donors. How could nonprofit leaders learn more about DAFs and the donors who hold them? And how might community foundations or other intermediaries connect with organizations that are not already supported by HNW donors?
2. Convenience of giving is very important to some donors, particularly those who have busy work and family schedules. How might giving be made quicker and easier? What interventions might allow donors to give most easily while also avoiding the credit card fees often imposed on NPOs?

3. In the workshop, various stakeholders expressed a desire to strengthen ties between various individuals involved in philanthropy—between donors, between nonprofits and DAF sponsors, and between nonprofits and philanthropic advisors. Where, specifically, are relationships most strained? What is causing these lukewarm relationships? And where would strengthened relationships be most beneficial to nonprofits?
4. Donors can help NPOs diversify their funding sources, particularly NPOs that rely heavily on government or foundation funding that may fluctuate from year to year. These organizations may also represent unique opportunities for donors who are hoping to support organizations that are less often funded by other individual donors—could these opportunities be particularly valuable for donors looking to provide meaningful support in a local community in terms of both money and time?
5. NPOs should consider opt-in or opt-out scenarios of correspondence once they receive a donation from a donor. Many donors do not want regular correspondence, though some might, so having options would be wise and could help lower development costs.

Remaining Questions for Researchers

1. Workshop participants were curious about corporate giving. How, they wondered, might donors better leverage or promote matching grants, and how might nonprofits take advantage of matching grants that apply to their existing donors? A related set of questions concerned corporate giving more broadly: how much are corporations, particularly large Bay Area corporations, giving annually, and how much of their allotted funds for corporate grants and matching grants might be left unused at year's end?

2. Philanthropic advisors and community foundation staff would like to learn more about donor motivation broadly; this knowledge could inform advisors' work in important ways. For example, what are donors looking to get out of their engagement in philanthropy? Is it impact, or is it something else, such as a sense of accomplishment or community? Workshop participants suspected that donors' motivations might affect how donors approach giving and that vehicle choice might be, or ought to be, influenced by the vehicle's alignment with a donor's intent.
3. What are donors doing outside of their philanthropy that might also support their values or philanthropic aims? For example, a donor might make ESG investments outside their DAF account or participate in activities beyond volunteering. Or, if a donor cares deeply about climate change, what corresponding actions does that donor take beyond giving time and money to organizations that fight climate change? Donors and advisors in particular were curious about sow separate giving is from other spheres of donors' lives.
4. There was an overarching sentiment among NPO leaders, donors, and advisors that DAFs are opaque and in need of increased transparency. While a call for disaggregated account-level DAF data has been made by nonprofit advocates and researchers alike, many in the workshop—and EPLI researchers—echoed that concern.

Conclusions: Giving Vehicles and the Philanthropic Process

This study was designed to answer three broad questions about donors' use of giving vehicles. 1. How do donors learn about and choose between these vehicles? 2. How do vehicle choices affect philanthropic behavior? 3. How does the popular use of giving vehicles affect nonprofits' fundraising efforts? Our findings provide initial answers to these questions and stimulate additional questions in turn.

For the most part, choice of vehicle didn't influence philanthropic practices. The one exception was that DAFs enabled donors to separate funding from giving. In a few cases, DAFs also encouraged generosity because once donors put money into them, they couldn't take it back regardless of future fluctuations in income. Many donors chose DAFs because of their tax advantages, relatively low cost, and ease of use; a few appreciated that DAFs made it easy to give anonymously, though most usually preferred not to be anonymous. They wished DAFs would let them pay for tables, make multi-year funding pledges, and took less time to mail checks to NPOs. In part for this last reason, some donors preferred credit cards or checks; most of these were busy working professionals for whom speed and ease of the transaction was a priority. Donors were generally aware of the credit card processing fees that fell on the shoulders of NPOs; some avoided using credit cards for this reason; others continued to use them but increased their gifts accordingly, and others used them while resenting them.

While most donors preferred to use DAFs or checkbooks or credit cards for their giving, a few donors used family foundations when they were planning to give away at least a million dollars annually; these donors either inherited the foundation or had significant assets to put into the foundation when they opened it. Some donors also used giving circles to supplement their other giving, learn about issue areas and relevant grantee organizations, and support certain causes broadly.

NPO leaders were happy to receive gifts from any vehicle, but two created some challenges for them: credit card processing fees and anonymous gifts, which came primarily from DAFs and made it difficult to thank donors and build relationships with them. While not all nonprofit leaders considered this a problem, for those who did, it was particularly difficult when donors donated anonymously by mistake and were then frustrated by a lacking response from the nonprofit. This created extra work for development staff and required some amount of damage control when it occurred.

These findings and the workshop we held with practitioners to discuss them generated a variety of recommendations and further questions for scholars, donors, NPOs, community foundations, and financial and philanthropic advisors. Chief among these were the suggestion that community foundations, which act as a gatekeeper between nonprofits and donors, reimaging their role as one of bridging and consider how they might best serve local NPOs given their unique position. We also recommend that DAF sponsors increase the alternative investment options they offer for DAF accounts to include options such as recoverable loans, ESG funds, and various types of impact investments. In addition, advisors should think about how to increase incentives for donors to get money out of their DAFs, perhaps by adding this to a list of annual to-dos. Finally, NPOs should consider opt-in or opt-out scenarios of correspondence once they receive a donation from a donor; many donors do not want regular correspondence, though some might, so having options would be wise and could help lower development costs.

Overall, we did not find that giving vehicles substantially changed the philanthropic practices of donors; however, their increasing and sustained use introduces additional important players to the field of philanthropy, including community foundation staff and financial advisors. As the complexity of the philanthropic landscape increases, it is important that stakeholders stay true to their mission of supporting NPOs and work to overcome the silos in which these actors often find themselves.