



# Powering generosity

## Why and how donors use donor-advised funds

Today's donors have more options than ever for structuring their philanthropy and facilitating their giving. Among those options are donor-advised funds—one of the fastest growing giving vehicles in the country. To understand how donors are incorporating a donor-advised fund into their philanthropy, we went straight to the source: our community of Fidelity Charitable® donors. We conducted a survey among nearly 1,000 donors to understand more about their experience using a donor-advised fund—their initial motivations to open the account, how they support charities, and how their fund has changed and shaped the way they think about giving.

In addition, we examined how donors plan to use their donor-advised funds through the lens of 2022's economic uncertainty. We took a real-time look at how donors will approach giving as we continue to experience market volatility, inflation, and other economic pressures. We found that while most donors don't initially open their accounts with the intention of creating a reserve of funds for spontaneous giving, they often end up using their donor-advised funds to support charities in times of uncertainty.

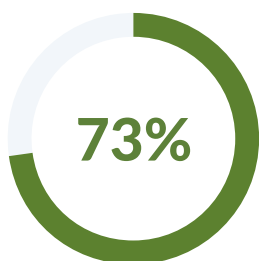
## Fidelity Charitable® donors are concerned about the potential impacts of current economic conditions—on both individuals and nonprofits in their communities.

Economic concerns are heightened in 2022, with rising costs on everything from fuel to housing leaving many in precarious financial situations. The S&P 500 ended June down more than 20% from the beginning of the year—marking its worst first half since 1970—leading to widespread fears of a looming recession. And as consumers tighten their budgets in response, the many nonprofits that depend on private philanthropic support are also at risk of losing critical funding.

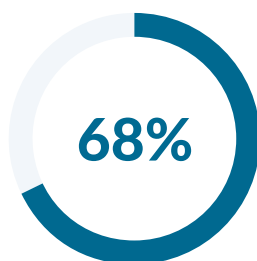
Like many, Fidelity Charitable donors are watching the news with trepidation. Most donors are concerned about the long-term effects of the situation and both individuals' and nonprofits' ability to weather the uncertainty.

### “In light of current economic conditions...”

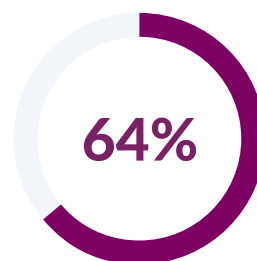
“I’m concerned about others in my community and their ability to weather a recession.”



“I’m concerned about the long-term impacts of market conditions.”



“I’m concerned about nonprofits’ ability to weather a recession.”



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## Despite—and even fueled by—their economic concerns, 59% of Fidelity Charitable donors say they’re considering giving more to charity this year.

In times of uncertainty, charitable giving can often be one of the first budget line items to be cut as everyday necessities take priority. For example, charitable giving in America dropped 12% from 2007 to 2009 during the country’s last prolonged recession.<sup>1</sup> But most Fidelity Charitable donors plan to continue to support the causes they care about—and even increase their donations.

### “In light of current economic conditions...”



**59%**

“I’m considering giving more to charity this year.”



**21%**

“I’m considering giving less to charity this year.”

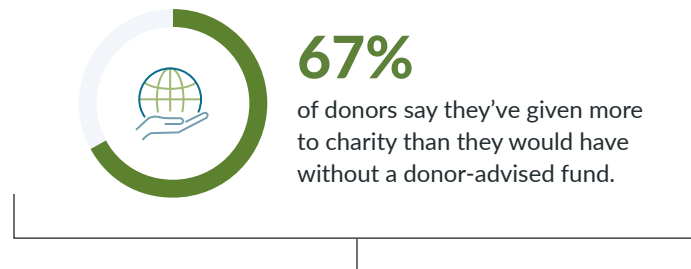
<sup>1</sup> Giving USA 2022.



**Two-thirds of donors say they've given more to charity than they would have without their donor-advised fund. Half of that group said that their account helps separate the financial decision to give from the charitable one.**

Sixty-seven percent of donors say they've given more to charity because of their donor-advised fund than they would have otherwise—a figure that has remained stable over time even as the donor base has expanded.<sup>2</sup>

These donors cite a variety of ways that their funds have helped them give more, including streamlined technology and the financial benefits of minimizing their tax burden and realizing investment growth of the funds. But the most-often cited way that donor-advised funds enable greater giving is by removing friction; half of these donors say that when they want to give, they don't have to consider where the money would come from. They can act on their desire to give in the moment—knowing that they have already worked through the financial decisions around giving, such as the type of asset to give or the timing of the donation.



**How has a donor-advised fund helped you give more?**

If I want to give, I don't have to think about where the money will come from	51%
The technology makes it easier to give when I want to	48%
I minimized my capital gains tax burden by making non-cash donations, which left me with more to give	45%
I have more to give because of investment growth on my charitable funds	37%
Having a clear record of my giving helps me plan to give more	34%

*Base: Donors who say they've given more to charity because of their donor-advised fund*

**HOW IT WORKS**

**Using a donor-advised fund as a reserve fund for giving**

Donor-advised funds allow donors to receive an immediate tax deduction for an irrevocable donation to their dedicated charitable account. They can then recommend grants immediately or over time. Many donors made tax-savvy contributions of appreciated securities in recent years as markets hit record highs or experienced tax-free growth in their accounts. Those donors now have a ready reserve of funds exclusively earmarked for charitable giving, which they can tap to support urgent needs in difficult times—like when market conditions are less favorable for giving out of pocket.



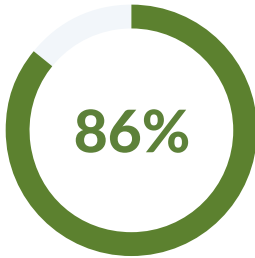
<sup>2</sup> 2014 Fidelity Charitable Giving Report.

## Donors use their donor-advised funds for dual purposes: To provide consistent support to their favorite charities and to respond to unexpected needs.

Most Fidelity Charitable donors give strategically and plan their giving—recommending grants to charities they regularly support and wish to be involved with long-term. But donors also frequently use their donor-advised funds to give in the moment during emergency situations, such as natural disasters or humanitarian crises. Nearly 60% of donors say they have used their account to respond to a disaster situation and as a way to have a pool of money set aside for giving.

### “I have used my donor-advised fund...”

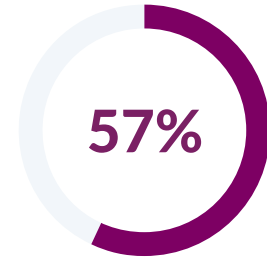
“To regularly support the same charities.”



“To respond to an emergency or disaster situation.”



“To have a pool of money set aside for giving.”



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## Many Fidelity Charitable donors are also active volunteers and use their donor-advised fund to complement their involvement.

Donors who use donor-advised funds are not only interested in supporting charities financially; most also donate their time through volunteerism. Nearly 7 in 10 Fidelity Charitable donors are recent volunteers. And of those, 56% have used their donor-advised fund to support an organization for which they have also volunteered.

69%

of Fidelity Charitable donors are recent volunteers.



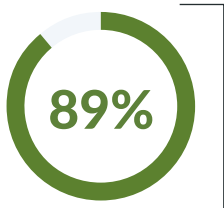
56%

of these donor-volunteers have used their donor-advised fund to support an organization for which they have also volunteered.



## Opening a donor-advised fund is a decision donors make with both their head and their heart.

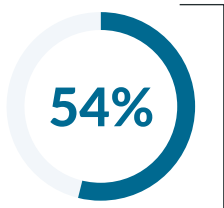
Donors' impulse to engage in philanthropy can be fueled by a variety of motivations—such as compassion, generosity, and a passion for the causes they support. But when it comes to choosing a donor-advised fund as the tool to facilitate their giving, donors also take into account financial and administrative considerations that are unique to them. Most donors have a variety of reasons for establishing a donor-advised fund.



### To optimize the financial impact of their donations for both themselves and the charities they support

*These donors indicated at least one of the following:*

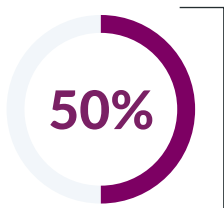
To minimize my capital gains taxes on appreciated assets	55%
To bunch my charitable contributions for tax purposes—consolidating multiple years of giving into one tax year to increase tax savings	46%
To invest the assets and grow the charitable funds tax-free	44%
To have the ability to donate publicly traded stocks or mutual funds	42%



### To centralize their giving into one hub and prioritize their philanthropy

*These donors indicated at least one of the following:*

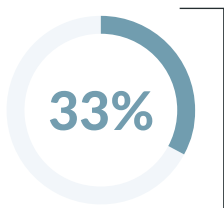
To be more organized/have all my giving in one place	46%
To help me regularly set aside money for giving/make giving a greater priority in my life	22%



### To maintain their commitment to philanthropy for the future

*These donors indicated at least one of the following:*

To incorporate charitable giving as part of my estate plan	25%
To set aside funds so I can sustain my giving in retirement or when my income is not as high	24%
To create a charitable legacy that I can pass on	23%



### To establish a fund now while strategizing for long-term gifts

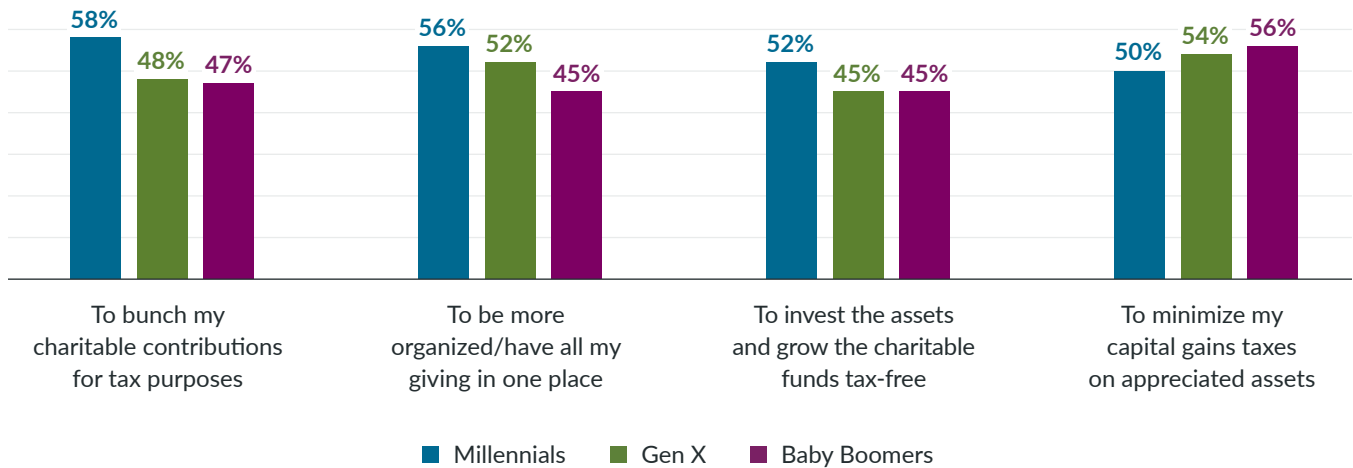
*These donors indicated at least one of the following:*

I wanted to make a donation, but needed more time to decide where to give	14%
I had a large windfall I wanted to use to fund my giving (e.g., the sale of a business or an inheritance)	11%
To save for a larger gift over time (e.g., establishing a scholarship fund)	9%

## The next generation: Different approach to giving, same motivators for the donor-advised fund

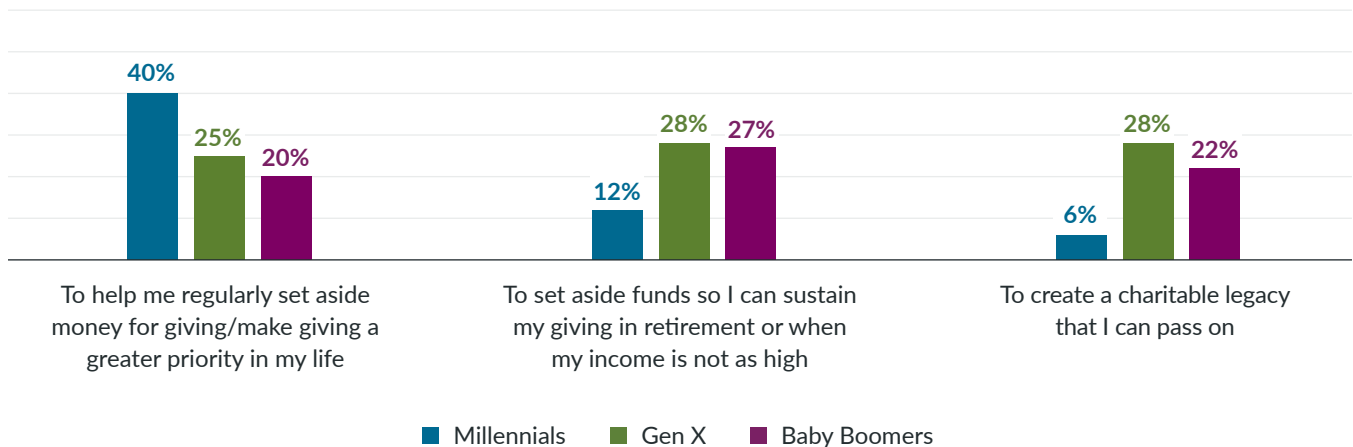
Younger generations have well-documented differences with older generations in terms of their approach to giving and the causes they support. Millennials' approach to philanthropy tends to be more collaborative and results-oriented, and they are more likely to support causes such as economic development and gender equality.<sup>3</sup> However, Millennials are primarily adopting donor-advised funds for similar reasons as Gen X and Baby Boomer donors.

### Millennials' top reasons for establishing a donor-advised fund



However, life stage does influence donors' secondary motivations for establishing a donor-advised fund. Millennials are more inclined to open a donor-advised fund to help them focus on giving as a priority in their lives. Meanwhile, Gen Xers and Baby Boomers are more focused on legacy planning and giving in retirement.

### Generational differences in donor-advised fund motivators



<sup>3</sup> The Future of Philanthropy: The Evolution from Charitable Giving to Charitable Living, 2021.

# Putting it into action

This research demonstrates the variety of priorities and goals that donors have in mind when opening and using a donor-advised fund. To understand more about how these intentions are acted upon, see the 2022 Giving Report—a comprehensive analysis of donor granting behavior in 2021. It outlines the causes donors were most focused on—including responsive giving to the most pressing issues of the day, in addition to elevated support to their regular charities. The Giving Report shows how donors continued to accelerate granting and gives real-world examples of how they used their donor-advised funds to make an impact.

[Read the report](#)

## METHODOLOGY

A survey was conducted about Fidelity Charitable donors and how they are approaching charitable giving in light of market conditions in 2022. In July to August 2022, 969 Fidelity Charitable donors were surveyed.



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