Bauman Scott
BESPOKE PORTFOLIOS



DONOR-ADVISED FUNDS

EBOOK COLLECTION

APRIL 2026

WHY GIVE ?



Philanthropy starts with willingness. If you do not want to give, this is not for you.

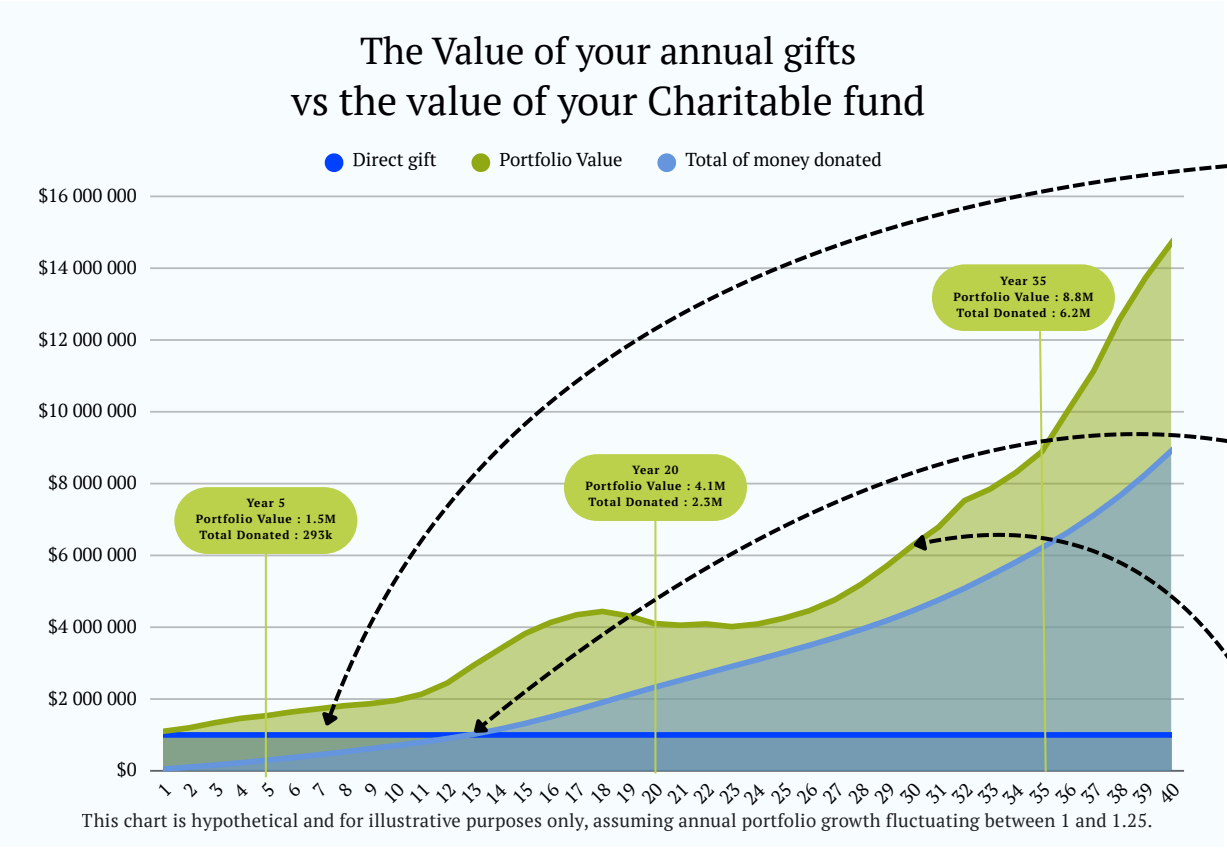
- Giving is how wealth takes on meaning.
- Giving is how a loved one is honored, how values are carried forward, and how something lasting is left behind.
- Giving can also bring a family together, forcing the question of what matters, who matters, and what your wealth is ultimately meant to do.
- Philanthropy is about responsibility, intention, and what you choose to leave behind.

WHY NOT DIRECT ?

Immediacy is not always efficiency.

- A direct gift is generous, but it is also final. Once transferred, the capital is gone. It no longer grows, no longer compounds, and no longer creates future optionality.
- A more deliberate structure allows capital to remain invested while charitable gifts are made over time. A charitable fund brings continuity, control, and greater long-term impact.

The chart below offers a clear view of how structured giving can enhance long-term philanthropic impact.



This chart is hypothetical and for illustrative purposes only, assuming annual portfolio growth fluctuating between 1 and 1.25.

A direct gift is generous, but it remains a one-time transfer. A **$1 million** direct gift stays exactly that: **$1 million** given once.

By **year 13**, total charitable distributions exceed the original **$1 million** direct gift.

More than **$4.4 million** has been distributed by **year 30**. At the same time, the portfolio still holds over **$6 million**.

THE ELEGANT WAY TO STRUCTURE YOUR GENEROSITY

A Donor-Advised Fund (DAF) is a charitable investment account that allows you to contribute assets, receive an immediate tax deduction, and recommend grants to charities over time.

Assets contributed to the fund may remain invested and grow tax-free before being distributed, potentially increasing the long-term impact of your giving.

For many affluent families, a DAF provides a simple and tax-efficient way to organize philanthropy within a broader wealth and estate strategy.

At Bauman Scott Financial, we help clients integrate charitable planning into a comprehensive financial approach.



IN THIS EBOOK, WE EXPLORE:

- What a Donor-Advised Fund is and how it functions
- Why affluent families increasingly use DAFs as a strategic charitable vehicle
- The key tax advantages, including income tax deductions and capital gains mitigation
- How timing a contribution can enhance efficiency during high-income or liquidity events
- Which assets are most advantageous to contribute
- Practical planning applications, including multi-year giving and legacy structuring
- The differences between a DAF and a private foundation
- How charitable planning can be integrated into a comprehensive wealth strategy
- Whether a Donor-Advised Fund may be appropriate for your specific financial circumstances



UNDERSTANDING YOUR DONOR-ADVISED FUND



A DAF is a charitable investment account established through a host organization.

You contribute assets to the fund, receive an immediate income tax deduction, and retain advisory privileges over how and when grants are distributed.

Assets can remain invested within the account, growing tax-free until distributed to IRS-qualified charities.

This form of structure adds administrative simplicity while preserving strategic flexibility.

Our advisory philosophy ensures that charitable vehicles complement your broader Wealth Management Strategy.

WHY SOPHISTICATED FAMILIES CHOOSE DAFS



High-net-worth individuals frequently experience variable income, liquidity events, and concentrated equity exposure.

A DAF allows donors to capture deductions in high-income years while distributing charitable gifts gradually over time.

This timing flexibility is particularly valuable following business sales, real estate exits, or substantial compensation events. Rather than making rushed decisions, families gain the ability to give with deliberation and structure.

Learn more about our client focus in Who We Serve.



TAX EFFICIENCY STRATEGIC TIMING

The principal advantage of a DAF lies in its tax efficiency.

Cash contributions may generally be deducted up to 60% of adjusted gross income.

Appreciated securities may be deducted up to 30% of adjusted gross income, but embedded capital gains tax is avoided.

Additionally, assets within the DAF grow free from ongoing taxation, potentially increasing long-term charitable capacity.

Proper coordination with your overall Financial Planning ensures that deductions are optimized without disrupting broader objectives.



HOW A DAF OPERATES









STEP 1

Establish the fund with a host organization that administers the structure and compliance of the fund.

STEP 2

Contribute eligible assets and get immediate tax documentation.

STEP 3

Invest assets at you or your portfolios manager's discretion

STEP 4

Recommend grants to qualified charitable organizations at your discretion.

Administrative oversight and compliance are managed by the sponsoring organization, ensuring efficiency and discretion.

CONTRIBUTING THE RIGHT ASSETS

A DAF is particularly powerful when funded with appreciated assets rather than cash alone.

Common contributions include publicly traded stocks, mutual funds, and concentrated equity positions.

Donating appreciated securities allows deduction at fair market value while eliminating capital gains exposure.

In certain cases, more complex assets may also be eligible, subject to sponsor review. Define your strategy through a Strategic session.

Thoughtful asset selection turns philanthropy into a fully integrated component of your overall wealth strategy.



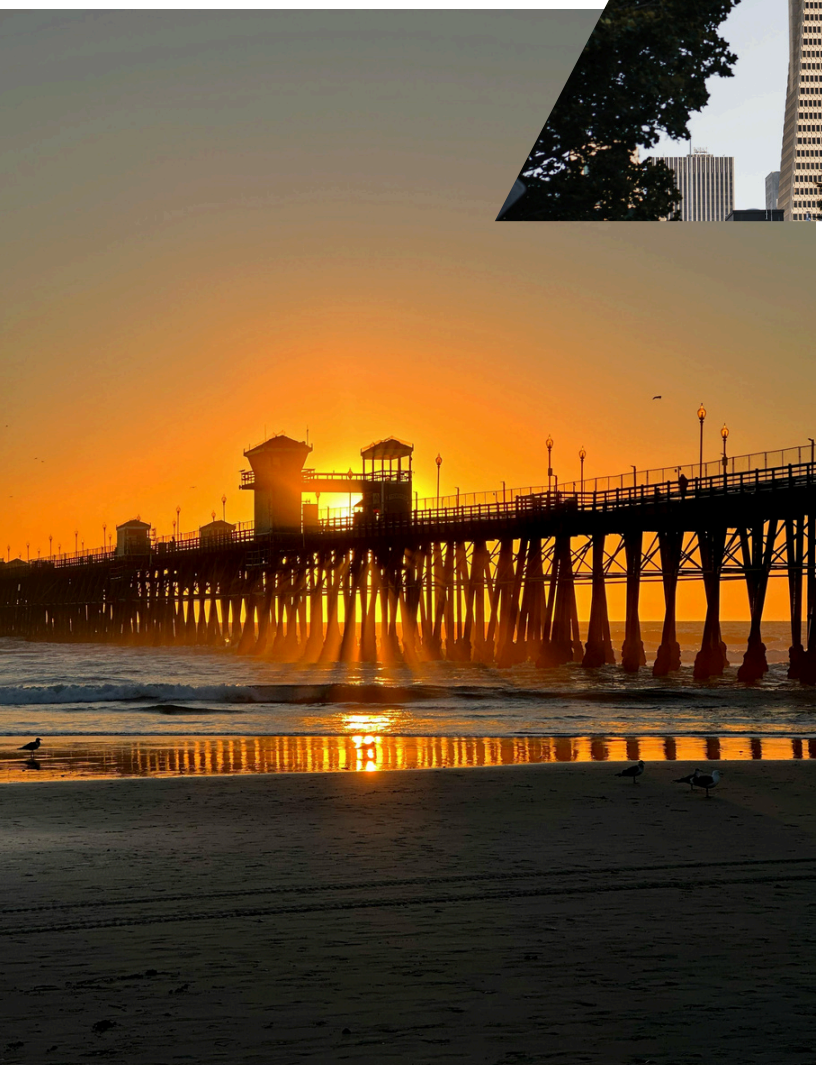
ADVANCED PLANNING APPLICATIONS

Beyond tax mitigation, a DAF serves as a versatile planning instrument.

It allows donors to “bunch” multiple years of charitable giving into a single tax year for enhanced deductibility.







It may also pre-fund long-term philanthropic objectives following a liquidity event.

Families often use DAFs to engage children in structured charitable discussions, reinforcing values across generations.

Successor advisors may continue to recommend grants, extending the philanthropic legacy.

DAF vs. PRIVATE FOUNDATION

While both structures facilitate philanthropy, a Donor-Advised Fund is often the preferred solution for its simplicity and efficiency.

A DAF removes most administrative burdens while preserving flexibility and control over charitable distributions. In contrast, private foundations require ongoing governance, annual filings, regulatory compliance, and minimum distribution requirements.

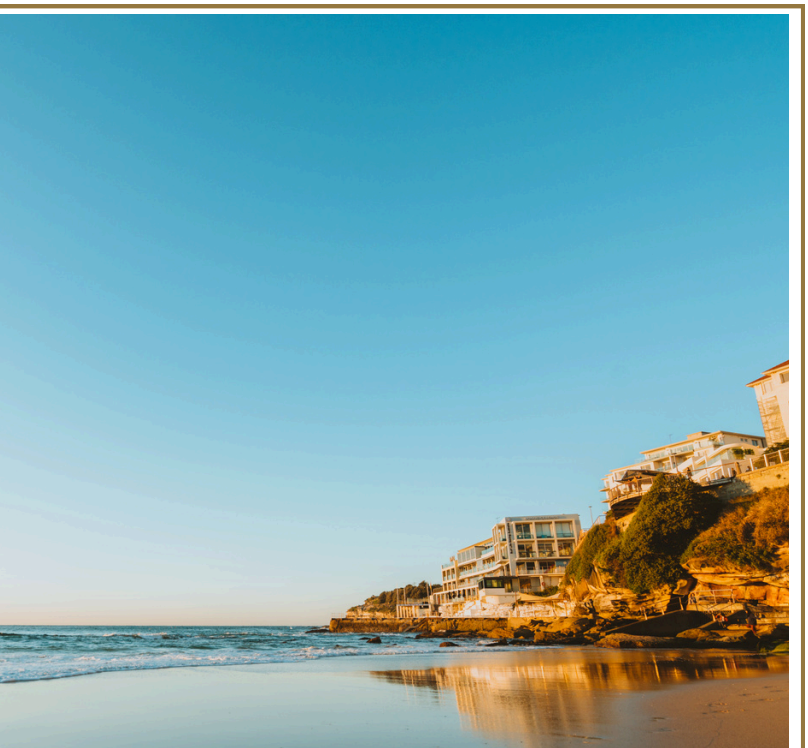
For many affluent families, a DAF offers a more efficient, cost-effective, and discreet way to structure giving without unnecessary complexity.

Unless a high level of institutional control is required, a Donor-Advised Fund often represents the most practical and streamlined approach to philanthropy.



INTEGRATING PHILANTHROPY INTO YOUR WEALTH STRATEGY





Charitable planning should align seamlessly with estate planning, tax mitigation, and portfolio strategy.

When coordinated properly, a DAF complements trusts, stock management, and retirement income planning.

Cross disciplinary advisor collaboration is essential to prevent some inefficiencies.

At Bauman Scott Financial, charitable vehicles are incorporated into a cohesive financial architecture.

Explore our integrated approach at Estate and Financial Planning.

WHY A DAF IS RIGHT FOR YOU?



A DAF may be appropriate if you anticipate a high-income year, hold appreciated securities, or seek immediate deductibility with deferred grant flexibility.

It is particularly suited for those who value administrative simplicity and structured multi-generational philanthropy.



Each situation warrants individualized analysis within the context of your broader financial plan.

If you are evaluating a liquidity event or reviewing your estate structure, we invite a confidential discussion.

Schedule a Consultation with us.