



National
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Trust UK

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UK DONOR- ADVISED FUND

REPORT



This report was prepared by National Philanthropic Trust UK in collaboration with Scorpio Partnership, an Aon Hewitt Company. National Philanthropic Trust UK gratefully acknowledges all of the organisations that shared their donor-advised fund related statistics and information.

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INTRODUCTION

Dear Colleagues,

National Philanthropic Trust UK is pleased to publish our inaugural UK Donor-Advised Fund Report. Donor-advised funds are philanthropic funds held within a charitable organisation that allow donors to make an irrevocable charitable contribution, receive immediate tax relief and then recommend charitable grants from the fund over time. As our report shows, donor-advised funds are becoming increasingly popular in the UK.

Our report examines the UK donor-advised fund market using 2015 data compiled from domestic charities that offer donor-advised funds. The charities that manage donor-advised fund accounts vary in size and scope, but they share a common goal of promoting charitable giving and making grants to a wide range of charitable organisations.

There was growth in all the key metrics for donor-advised funds – total grant payments from them, total contributions to them and total assets in them. Grantmaking from donor-advised fund accounts to other charities increased over 25 per cent between 2014 and 2015. This growth signals donors' active commitment to support the causes that mean the most to them. Contributions to donor-advised fund accounts totaled £226 million in 2015, representing 2.4 per cent of total individual giving in the UK. The increase in contributions also drove donor-advised fund assets above £900 million.

The information in this report confirms that philanthropists are attracted to the flexibility of donor-advised funds. Donors can commit funds to charitable purposes when they have the capacity to create a concentrated source of charitable capital and then grant the funds to charities over time.

Globally, donor-advised funds are significantly influencing the philanthropic sector. We expect that trend to continue in the UK and around the world in the coming years.

NPT-UK is pleased to make this report available to our partners in giving and the public.



John Canady
CEO

A GLOSSARY OF TERMS

CHARITABLE ASSETS

The amount charitable sponsors hold and manage in donor-advised fund accounts. Some charitable sponsors manage other types of funds as well. This report is limited to assets in donor-advised fund accounts.

CHARITABLE ORGANISATION

A charity. In the context of this report, a charitable organisation can be either a charitable sponsor of donor-advised funds or the recipient of a donor-advised fund grant. A UK charitable organisation is registered at the Charity Commission and a foreign charitable organisation is eligible to receive grants from the UK according to HMRC and Charity Commission regulations. Donations to a charitable organisation are eligible for tax relief. A charitable organisation serves broad public purposes in educational, religious, scientific and artistic fields, among others, as well as the relief of poverty and other public benefit activities.

CHARITABLE SPONSOR

A charitable organisation that manages donor-advised fund accounts. Charitable sponsors provide services to ensure that potential grant recipients are qualified charitable organisations and administer donor-advised fund accounts to ensure compliance with all regulations. Also called sponsoring charity or fund sponsor.

CONTRIBUTION

Amount a donor donates to a donor-advised fund account when establishing the fund or adding money to it.

DONOR-ADVISED FUND

A philanthropic giving vehicle administered by a charitable sponsor. A donor-advised fund allows donors to establish and fund the account by making irrevocable, tax-relieved contributions to the charitable sponsor. Assets in the account are invested based on the donor's recommendation. Donors then recommend grants from those funds to any other qualified charitable organisations.

GRANT

A transfer of assets from a donor-advised fund account to a qualified charitable recipient.

MARKET OVERVIEW

Donor-advised funds grew substantially in 2015. Total charitable assets available for grantmaking are approaching £1 billion. The steady rise is a result of both an increase in contributions to donor-advised fund accounts and gains from investment returns. Grants from donor-advised fund accounts also rose.

Contributions at All-Time High

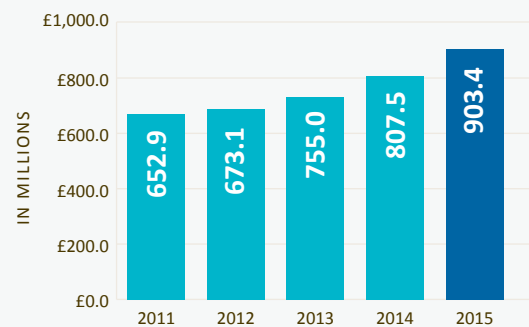
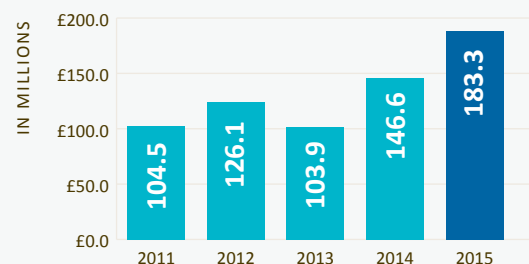
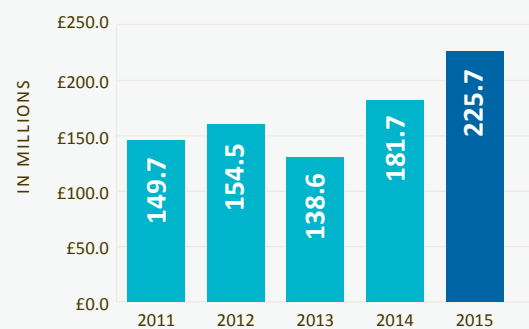
Contributions to donor-advised fund accounts in 2015 totalled £225.7 million. This number surpasses the 2014 value of £181.7 million by £44 million, an increase of 24 per cent. Even in reaching this high, however, contributions rose at a slower rate than the previous year, which was a 31 per cent increase.

Grants Total £183 million

Grants from donor-advised fund accounts to charitable organisations reached £183.3 million, the largest total over the past five years. This is a 25 per cent growth rate compared to a total for 2014 grants of £146.6 million.

Charitable Assets Approach £1 billion

Charitable assets under management in all donor-advised fund accounts totalled £903.4 million — the highest amount in our data set.



PROJECTIONS AND OBSERVATIONS

What Lies Ahead?

Looking forward, donor-advised funds are poised for significant growth given the following trends:

Donating Appreciated Assets

Donors are increasingly contributing a wider range of assets to their donor-advised funds, putting highly appreciated assets – such as shares or property – toward charitable purposes. Few charitable organisations have the expertise or willingness to accept appreciated shares or tangible property. For donors, these assets often comprise the largest share, if not the entire source of their wealth.

Estate Planning

Donors and their estate planning advisors are recognising the potential use of a donor-advised fund as the beneficiary of a will. Often the largest gift a donor will ever make to charity is through his or her estate plan. Contributions to charity are not subject to inheritance taxes and donating 10 per cent of an estate to charity can lower the inheritance tax rate. By naming their donor-advised fund as a charitable beneficiary, donors can support charitable causes beyond their lifetime and pass along the value of philanthropy to the next generation. This should continue to gain momentum as the Baby Boom generation reaches retirement age.

Converting Charitable Trusts and Foundations

There is increased interest from individuals and families in converting or replacing their charitable trusts or foundations with donor-advised funds. Compared to other charitable entities, donor-advised funds are faster to establish, less costly to administer and more convenient to manage.

Giving Anonymously

For many families and ultra-high-net-worth (UHNW) individuals, the driving factor in establishing a donor-advised fund is the ability to give anonymously. This feature protects UHNW individuals from unwanted charitable solicitations. A family foundation or charitable trust must publicly disclose all grants and charitable activities. A related trend is the use of donor-advised fund accounts as a complementary giving vehicle – that is, donor-advised fund accounts being used in conjunction with another charitable giving vehicle or entity, like a family foundation or charitable trust.

Summary

Donor-advised funds are a popular tool for donors, allowing them to allocate assets to philanthropic giving when assets become available, yet make decisions about specific beneficiaries over time. Although still a relatively new concept in the UK, donor-advised funds have experienced substantial growth over the past several years. This growth should continue in the foreseeable future as more donors become aware of donor-advised funds and more financial, legal, and tax advisors incorporate donor-advised funds into their planning.

METHODOLOGY

Organisations

This report examined a total of seven charities registered at the Charity Commission of England and Wales that sponsor donor-advised funds.

Primary Data Source

The primary source for each charitable sponsor's assets, contributions, and grants is the organisation's Annual Report filed with the Charity Commission of England and Wales.

Secondary Sources

The following served as secondary sources for the above data and cited statistics:

- Filings at Companies House
- The organisation's website
- Survey responses from Charitable Sponsors
- *UK Giving 2015*, Charities Aid Foundation

Projections are based on National Philanthropic Trust UK's experience and anecdotal evidence over the past year, in addition to observed economic and political conditions.

Standard Fiscal Data by Filing Year

Since organisations have varied financial year-end dates, data was recorded in the filing year. For example, whether an organisation's fiscal year ends on 31 March 2015 or 31 December 2015, the data will be recorded as 2015.



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