Donor Advised Fund Myths Debunked

Making Your Giving Go Further

At the Fiera Capital Foundation (the Fiera Foundation), we believe the more you understand your giving options, the more impact you can make.

Donor Advised Funds (DAFs) are a powerful and flexible charitable tool, but misconceptions sometimes keep people from using them to their fullest potential.

We wanted to help set the record straight by dispelling some of the more common myths that we've come across.

Myth #1

"My funds will just sit there and not help anyone."

The Truth:

While you have flexibility over the timing of your grants, most donors use their DAF actively. In fact, DAFs consistently distribute well above the minimum required payout levels. At Fiera, we work with donors to ensure capital is flowing to causes in line with their goals.

Myth #2

“DAFs are only for the ultra-wealthy.”

The Truth:

Unlike a private foundation, a DAF can be started at a much lower threshold, making it accessible to a wide range of donors. At Fiera, clients can start a Donor Advised Fund with $100,000. You still receive the same tax benefits, flexibility, and ability to recommend grants to your preferred registered charities.

Myth #3

“I lose control of my donations.”

The Truth:

You receive an immediate tax receipt, and the assets become the property of the Fiera Foundation, but you retain the ability to recommend grants to charities of your choice. Think of it as a “charitable investment account” that you direct over time.

Myth #4

“It’s complicated to set up and manage.”

The Truth:

A DAF can be established in days, not months, with no legal incorporation or board creation required. The Fiera Foundation handles all administration, tax receipting, compliance, and reporting so you can focus on giving.

Myth #5

DAFs don't provide tax advantages beyond regular giving.

The Truth:

In addition to the charitable donation tax credit, donating appreciated securities to your DAF eliminates capital gains tax on those assets. This is a double advantage that can increase your impact without reducing your portfolio's after-tax value.

Myth #6

I can only give to one charity.

The Truth:

Your DAF can support as many registered Canadian charities as you like, at any time. Some donors use it to make a single large gift, others spread grants among multiple causes over years or decades.

Myth #7

Once I give, my money can't grow.

The Truth:

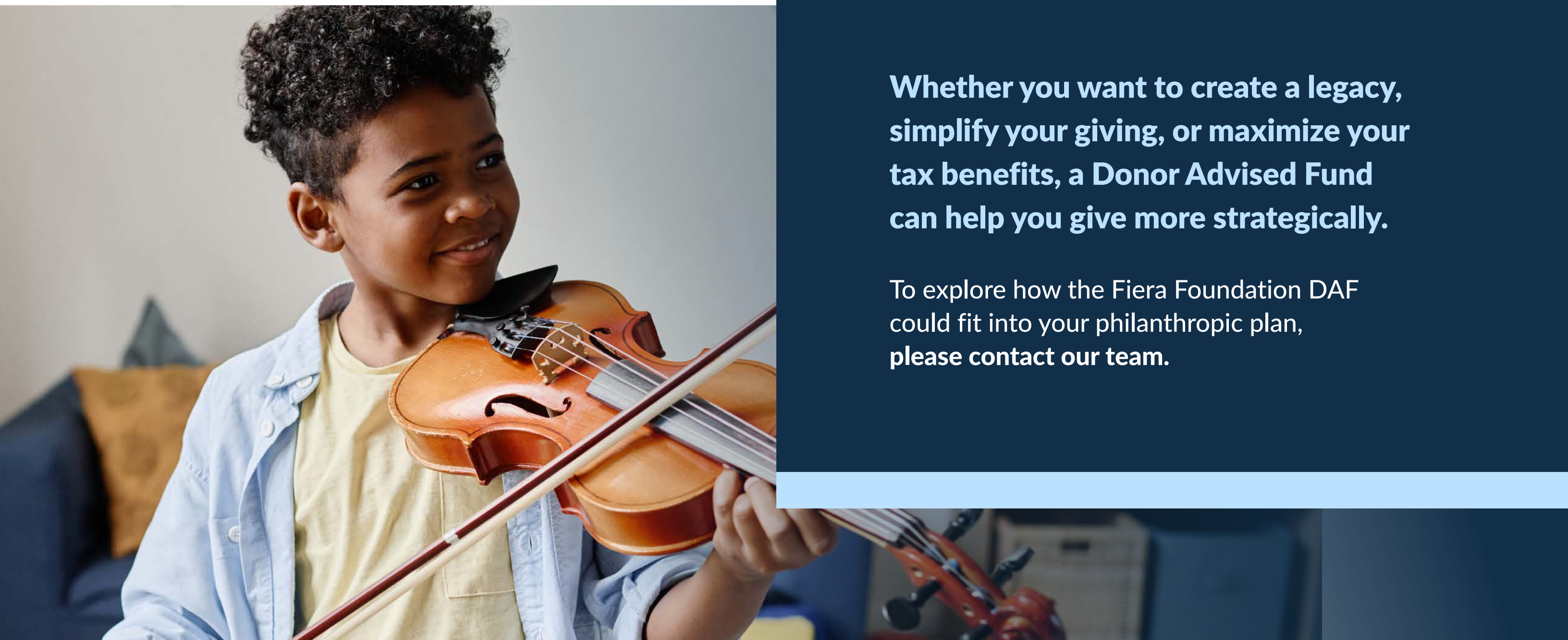
With a DAF, your contributions can be invested (in line with the Fiera Foundation's policy) until you recommend a grant. This means your charitable capital has the potential to grow tax-free, increasing what you can give over time. Multiple clients have commented that their Donor Advised Funds have actually grown in value, despite their annual disbursements to charities.

Myth #8

It's not useful for family giving.

The Truth:

DAFs are an excellent tool for involving children or other family members in philanthropy. You can name successor advisors, allowing the next generation to continue recommending grants and carrying on your charitable legacy.



Whether you want to create a legacy, simplify your giving, or maximize your tax benefits, a Donor Advised Fund can help you give more strategically.

To explore how the Fiera Foundation DAF could fit into your philanthropic plan, **please contact our team.**

Why use a Donor Advised Fund?

Tax Benefits

Contributions to a DAF are treated as donations and are eligible for a charitable receipt. This can be a powerful tax planning tool for individuals who are looking to maximize their charitable contributions each year and offset capital gains or other taxes owing.

Flexibility

Donors can contribute to a foundation at any time (either personally or through a corporation), manage their charitable giving and receive reports on the fund balance. While DAFs must donate a portion of their assets annually (minimum disbursement ranges from 3.5% – 5%), most of the DAF assets can grow tax-free for years before you choose to donate them. This helps to increase the amount that can be directed to charities over time.

Simplicity

A Donor Advised Fund offers an easy and efficient way to give to charitable organizations by making one donation with multiple charitable disbursements. Additionally, the issuance of tax receipts, donation tracking, and regulatory obligations are all handled on behalf of the donors.

Privacy

Large charitable donations are often publicized, which can attract unwanted attention to donors, including solicitation and other requests. However, when donations are made through a Donor Advised Fund, the identity of the account holder can remain confidential. Many donors prefer to stay anonymous for various reasons while still supporting their favorite charities.

Time-Sensitive Events

A DAF is similar to a private foundation in that it allows families to support charities over many years, but a DAF is much simpler to establish, with the application and setup taking only a few business days. This makes a DAF perfect during time-sensitive events like selling a business or property, especially near the end of the tax year.

Legacy

Donor Advised Funds also assist in the reinforcement of the values you pass on to future generations, as multiple children and grandchildren can be involved in the growth and development of one's DAF, recognizing the importance of giving back to society.

Importantly, the Foundation provides an opportunity for you to decide how you want to be managed well into the future. By implementing a long-term giving plan, the impact of your donations will multiply and create a powerful legacy.

If you have any questions about the Fiera Foundation or Donor Advised Funds, please reach out to your Investment Counsellor.

fierafoundation.com

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