By the Numbers:
The Growth of Charitable Intermediaries & Its Impact on Charities

KEY FACTS:

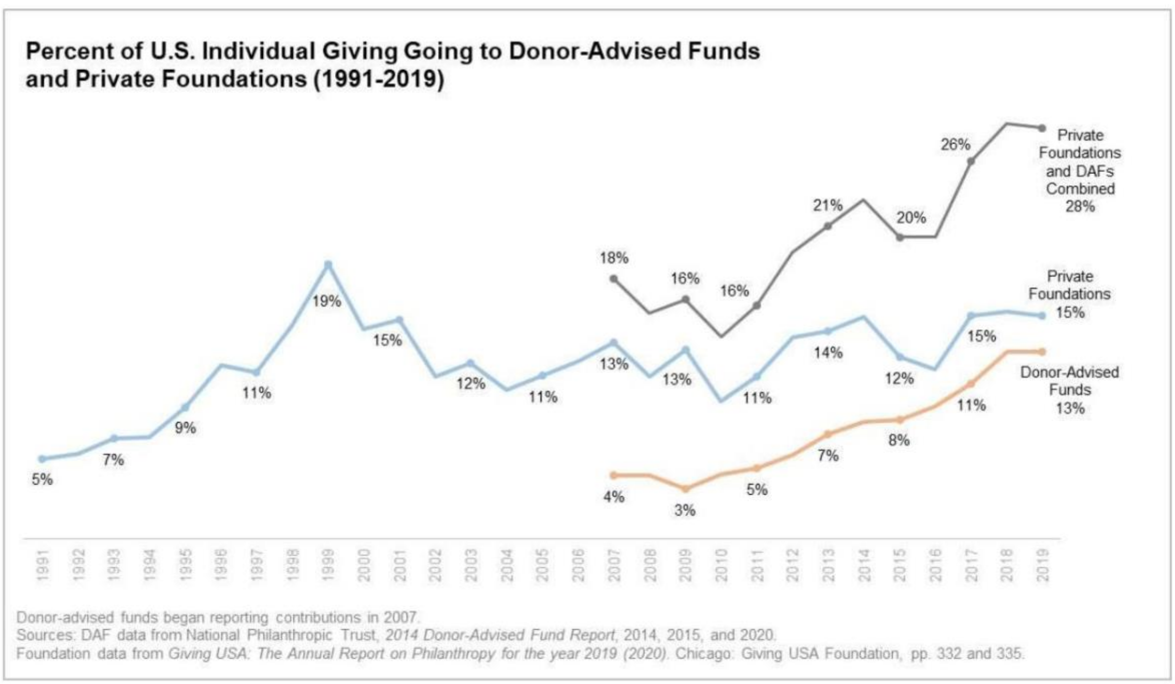
- **Reforms are needed to ensure charitable giving gets to actual charities.** While charitable giving has hovered around 2% of disposable income for the past 40 years there is a drastic change in where giving is going. Today almost 30% of all individual giving is not going to charities, but into private foundations and donor-advised funds.

- **Our outdated giving laws lack any assurance that funds in charitable intermediaries will ever make their way to charities.** Today's charitable giving laws delink charitable giving and giving to charity. More than $1 trillion is sitting on the sidelines in private foundations and DAFs.

BACKGROUND:

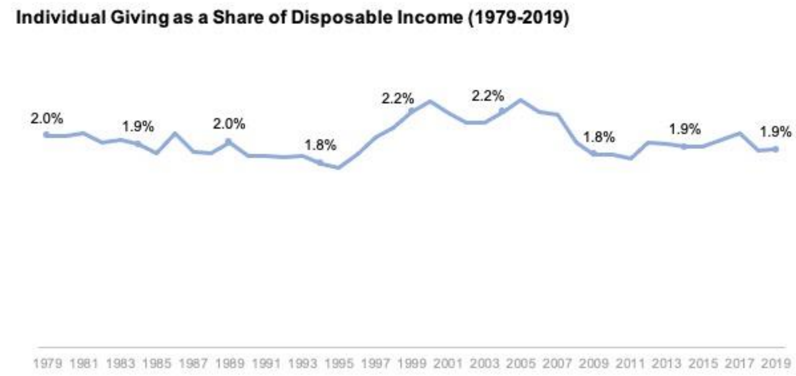
Over the past 30 years, there has been a transformation in the way Americans give to charity.

In 1991, 95% of individual charitable giving went directly to charities. Today, that number has fallen significantly as more and more donation are instead going to private foundations and donor-advised funds (DAFs). While this type of giving affords donors the same tax benefits as an outright gift to charity, it provides few assurances about when these funds will be available to working charities.



In 1991, only approximately 5% of charitable donations went to charitable intermediaries, today that number is almost 30%.

Further, this growth in giving to charitable intermediaries has not resulted in increased charitable giving, which has remained constant at roughly 2% of disposable income for the past 40 years. Indeed recent figures show that giving is running even lower than the historical average.



Source: *Giving USA: The Annual Report on Philanthropy for the year 2019 (2020)*. Chicago: Giving USA Foundation, p. 339.

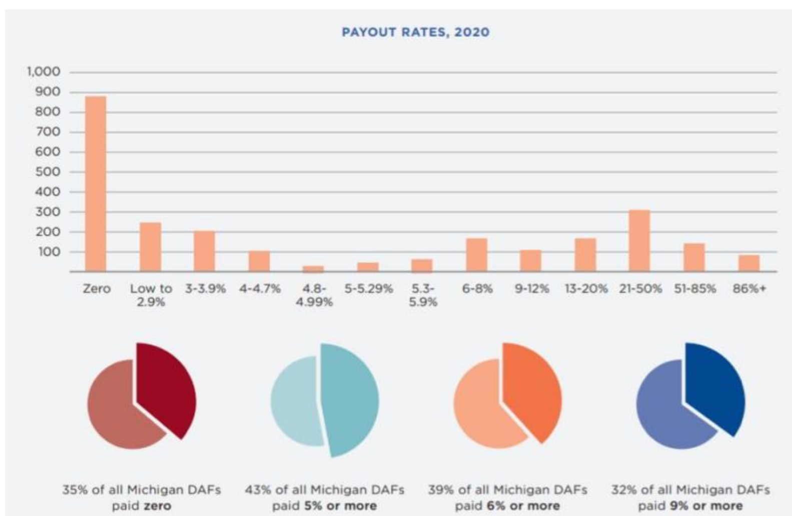
According to Giving USA, individual giving fell to just 1.85% of disposable income in 2020—the lowest it has been in 9 years—even as Americans confront multiple generational crises.

CASE STUDY: THE COUNCIL OF MICHIGAN FOUNDATIONS

In June 2021, the Council of Michigan Foundations commissioned a study entitled "Analysis of Donor Advised Funds from a Community Foundation Perspective" the most comprehensive analysis of DAF data that includes account level information.

DAF sponsors frequently argue that DAFs do not need regulation because their payout rates exceed the 5% payout requirement imposed on private foundations. However, based on data from 2018, 38% of Michigan community foundations (i.e. DAF sponsors) in the study made total distributions of less than 5% and the median payout rate was just 3.1%, far below the 5.9% median payout rate of Michigan's private foundations. And, if anything, the study's median payout rate is inflated since it treats DAF to DAF transfers as gifts to charities—when in reality this money is not going directly to charities.

The Michigan data is even more concerning when looking at the account level. In 2020—a year that saw greatest turmoil in American society in decades - thirty five percent of DAF accounts did not make a single distribution to charity. And, 57% of DAF accounts distributed less than 5% of their assets.



Finally, even though three-fourths of DAF sponsors had rules requiring their DAF accounts to make a distribution at least once every three years, 13% of DAFs made zero distributions over a four-year period.