

IMPACT OF THE RISE OF COMMERCIAL DONOR-ADVISED FUNDS
ON THE CHARITABLE LANDSCAPE
1991-2019

*A Report from the
Boston College Law School Forum on Philanthropy and the Public Good*

May 4, 2021

INTRODUCTION

The first commercial donor-advised fund, Fidelity Charitable, began operating in 1991. Since then, donor-advised funds have experienced exponential growth in contributions and assets. Today there is over \$140 billion held in donor-advised funds and 1 in 8 dollars contributed to charity is contributed to a donor-advised fund.

The purpose of this report is to look at other changes that have taken place in the charitable landscape over this thirty-year period. In particular, this report presents data showing the following trends in charitable giving: (1) total individual charitable giving; (2) percentage of total individual charitable giving going to foundations and donor-advised funds; (3) growth of assets in private foundations; (4) growth of assets in donor-advised funds; (5) newly reported data on contributions actually received by charities (including from donor-advised funds and private foundations, as well as direct donations) for the period 2014-2018; and (6) a comparison of trends in amounts received by charities for the periods 1987-1991 and 2014-2018.

Data for this report comes from three sources: (1) Giving USA¹; (2) National Philanthropic Trust²; and (3) data analysis of 990 tax forms by DataLake llc.

TRENDS IN INDIVIDUAL CHARITABLE GIVING

While giving to donor-advised funds has increased significantly since 1991, there is no evidence that this has resulted in any overall increase in individual charitable giving. Figure 1 reproduces a popular graph from Giving USA that shows that charitable giving by individuals has remained largely constant for the past 40 years at roughly 2% of disposable income.³

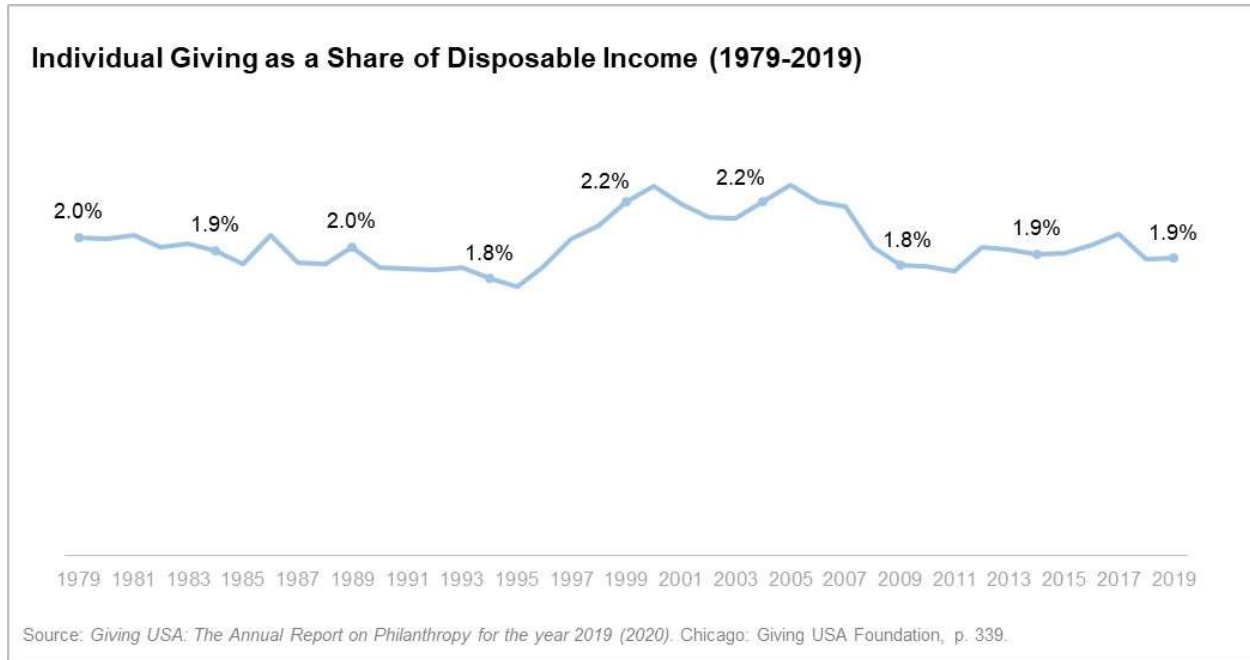
¹ *Giving USA: The Annual Report on Philanthropy for the year 2019 (2020)*. Chicago: Giving USA Foundation

² National Philanthropic Trust, *Donor-Advised Fund Report*, 2014, 2015, and 2020.

³ Disposable personal income is closely related to total household income which is a key determinant in how much households give to charity.

This number fluctuates year-to-year, but is rarely higher than 2.2% or lower than its most recent measure of 1.9%.

FIGURE 1



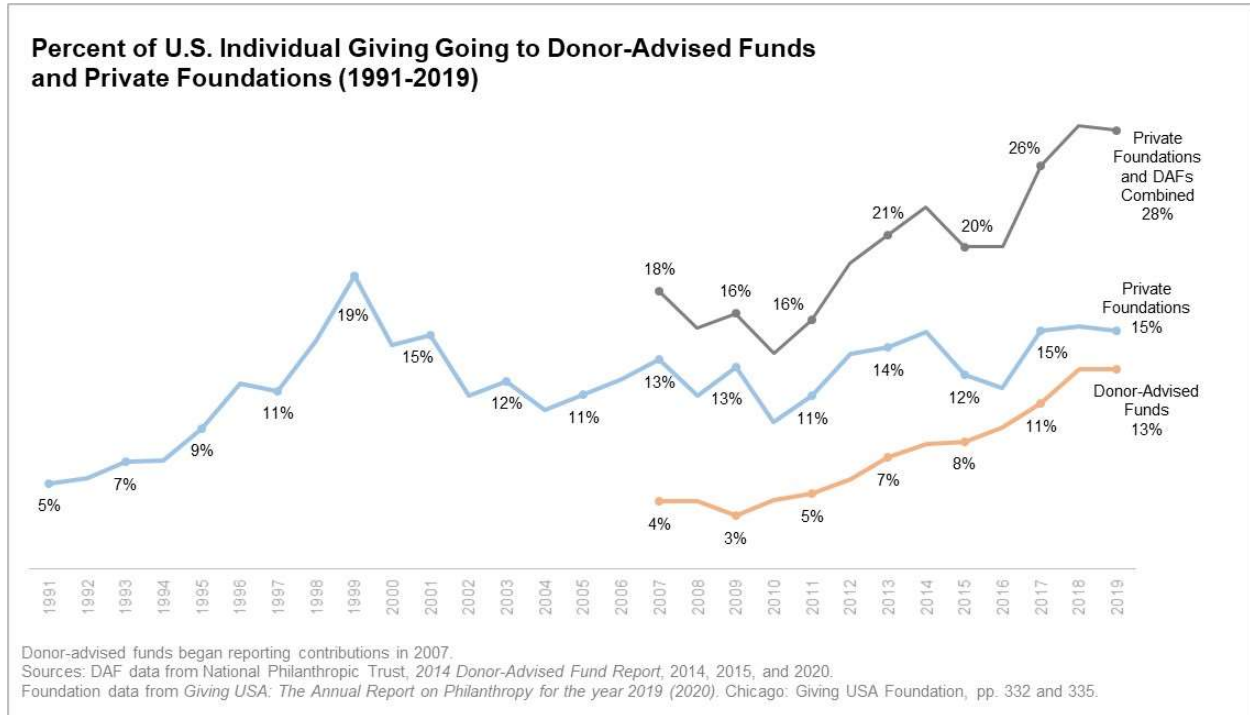
TRENDS IN PERCENTAGE OF INDIVIDUAL GIVING GOING TO PRIVATE FOUNDATIONS
AND DONOR-ADVISED FUNDS

While total individual giving has remained largely constant, there has been a significant shift in where that giving has gone. In 1991, according to *Giving USA*, 5% of individual giving went to foundations (including private foundations and community foundations). By 2019, 13% was going to donor-advised funds and 15% was going to foundations⁴.

Figure 2 below tracks this change and shows how combined giving to these charitable intermediaries increased from 5% in 1991 to 28% in 2019, an increase of 460%.

⁴ In order to avoid double counting of community foundation donor-advised funds, contributions to community foundation donor-advised funds (as reported by National Philanthropic Trust) were subtracted from total foundation giving for years 2007-2019.

FIGURE 2



GROWTH OF ASSETS IN DONOR-ADVISED FUNDS AND PRIVATE FOUNDATIONS

Figure 3 and Figure 4 track the growth of assets in private foundations and donor advised funds from 1991 to 2020. Together these figures show the extent to which contributions to private foundations and donor-advised funds are remaining and growing inside these vehicles rather than being distributed to charity.

Figure 3, from the Federal Reserve System, tracks private foundation assets from 1991 through 2019. It shows that private foundation assets have grown over 500% over the past 30 years, from \$165 billion in 1991 to \$996 billion in 2019.

Figure 4, from the National Philanthropic Trust, tracks the total value of donor-advised funds since 2007. It shows that over this short 12-year period from 2007-2019, total donor-advised fund assets grew over 300% from \$32 billion in 2007 to \$142 billion in 2019.

FIGURE 3

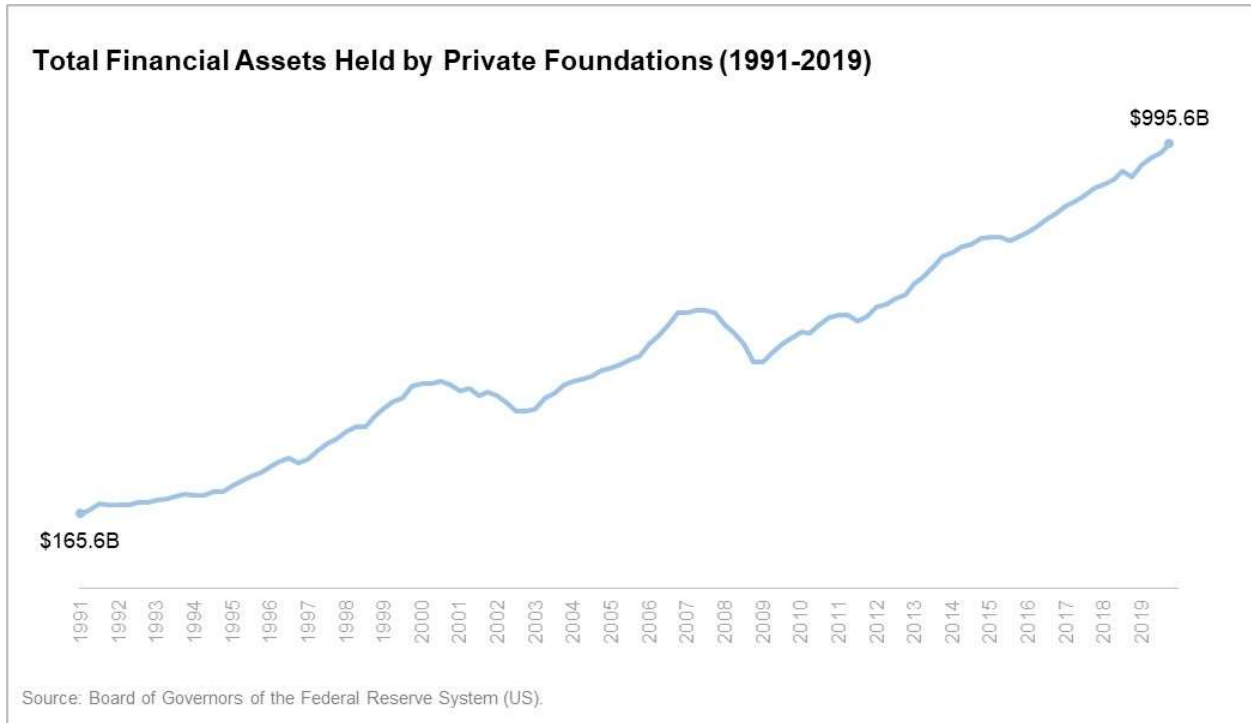
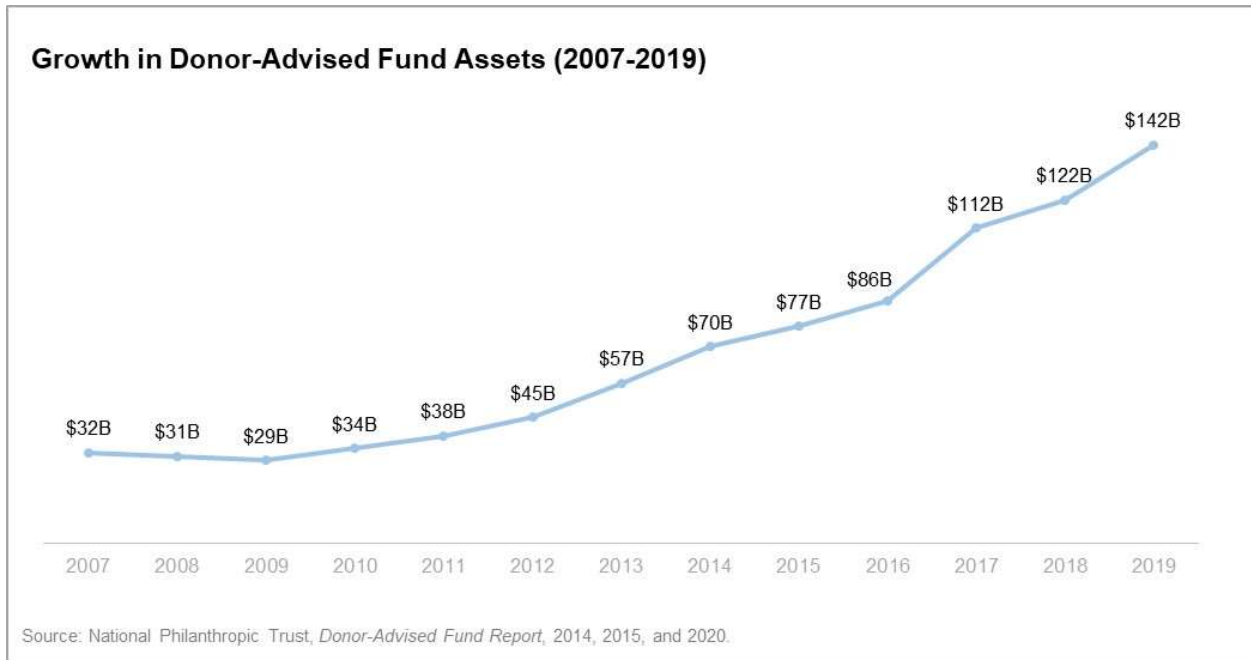


FIGURE 4



TRENDS IN CONTRIBUTIONS RECEIVED BY CHARITIES
(INCLUDING FROM DONOR-ADVISED FUNDS AND PRIVATE FOUNDATIONS)

What has happened to charities other than private foundations and donor-advised funds over the past 30 years? This information has not previously been available from published data.

Although *Giving USA* calculates and tracks charitable receipts by different sectors, its categories do not distinguish between outright contributions to working charities and donations to organizations subject to advisory privileges. For example, in *Giving USA*, donations to public-society benefit organizations include both outright contributions to the Red Cross and contributions to donor-advised funds at Fidelity Charitable.

To fill this information gap, The Forum on Philanthropy and the Public Good commissioned DataLake llc to provide data on all charitable donations, separating outright donations to charities from donations in which donors retain advisory privileges.⁵ This data is presented in the figure 5 below. This graph also calculates the ratio of actual donations received by charities (including grants from private foundations and donor-advised funds as well as direct contributions) to total individual giving.

FIGURE 5

Actual Total Contributions Received by Charities Compared to Total Individual Giving (2014-2018) (in current dollars)					
	2014	2015	2016	2017	2018
Total Contributions Received by Charities (including from Private Foundations and DAFs)	\$182.9B	\$197.6B	\$203.5B	\$214.9B	\$213.2B
Total Individual Giving (Giving USA) (in current dollars)	\$252.3B	\$264.7B	\$279.4B	\$302.8B	\$295.9B
Contributions Received in Comparison to Total Individual Giving	72.5%	74.7%	72.8%	71.0%	72.1%

Sources: John Dunford, DataLake, llc and *Giving USA: The Annual Report on Philanthropy for the year 2019 (2020)*. Chicago: Giving USA Foundation.

⁵ The methodology used by DataLake llc was as follows: Total contributions represent amounts received from individuals, businesses, private and community foundations, donor-advised funds, and similar funding sources as reported by public charities on Form 990, Part VIII, Line 1h, less amounts received from public and government entities reported on Part VIII, Line 1e. Contributions to donor advised funds represent amounts reported on Form 990, Schedule D Part I by all public charities filing electronic (e-File) Form 990 returns, including Form 990 paper returns for all Category 1 National Donor Advised Funds; and select Form 990 paper returns for other public charities including Community Foundations filing Schedule D, Part I having total direct contributions \$5m (per Form 990, Part VIII, Line 1f).

Figure 6 below addresses the question of how much charities would have received if they had received the same percentage of individual giving that they received in the period before the introduction of commercial donor-advised funds. A comparison of data from 1987-1991 to data from 2014-2018 shows that whereas charities received between 92-95% of individual giving in 1987-1991, in the period 2014-2018 charities only received between 71-74% of individual giving in charitable donations. (This includes donations from private foundations and donor-advised funds, as well as direct contributions.) This represents a shortfall of \$300 billion over a 5-year period.

FIGURE 6

Comparison of 94.1% of Total Individual Giving (average percent received by charities 1987-1991) to Actual Total Amount Received by Charities 2014-2018					
In current dollars; includes grants from private foundations and donor-advised funds					
	2014	2015	2016	2017	2018
Total Individual Giving (Giving USA)	\$252.3B	\$264.7B	\$279.4B	\$302.8B	\$295.9B
94.1% of Total Individual Giving (the average percent that went to charities 1987-1991)	\$237.4B	\$249.1B	\$262.9B	\$285.0B	\$278.4B
Actual Amount Received by Charities	\$182.9B	\$197.6B	\$203.5B	\$214.9B	\$213.2B
Shortfall	\$54.5B	\$51.5B	\$59.4B	\$70.1B	\$65.2B

Sources: John Dunford, DataLake, LLC and Giving USA: The Annual Report on Philanthropy for the year 2019 (2020). Chicago: Giving USA Foundation.

Figures 7 and 8 below show the above data in bar graph form to illustrate the percentage of individual giving that charities received in the 5 years leading up to the establishment of Fidelity Charitable (94.1% average) and the ratio of the actual amount received by charities in years 2014-2018 (including grants from private foundations and donor-advised funds as well as direct contributions) to the amount of total individual giving (percentages ranging from 71% to 75%). It then measures what charities would have received in 2014-2018 had they continued to receive contributions at the same 94.1% of total individual giving that applied in the years 1987-1991.

FIGURE 7

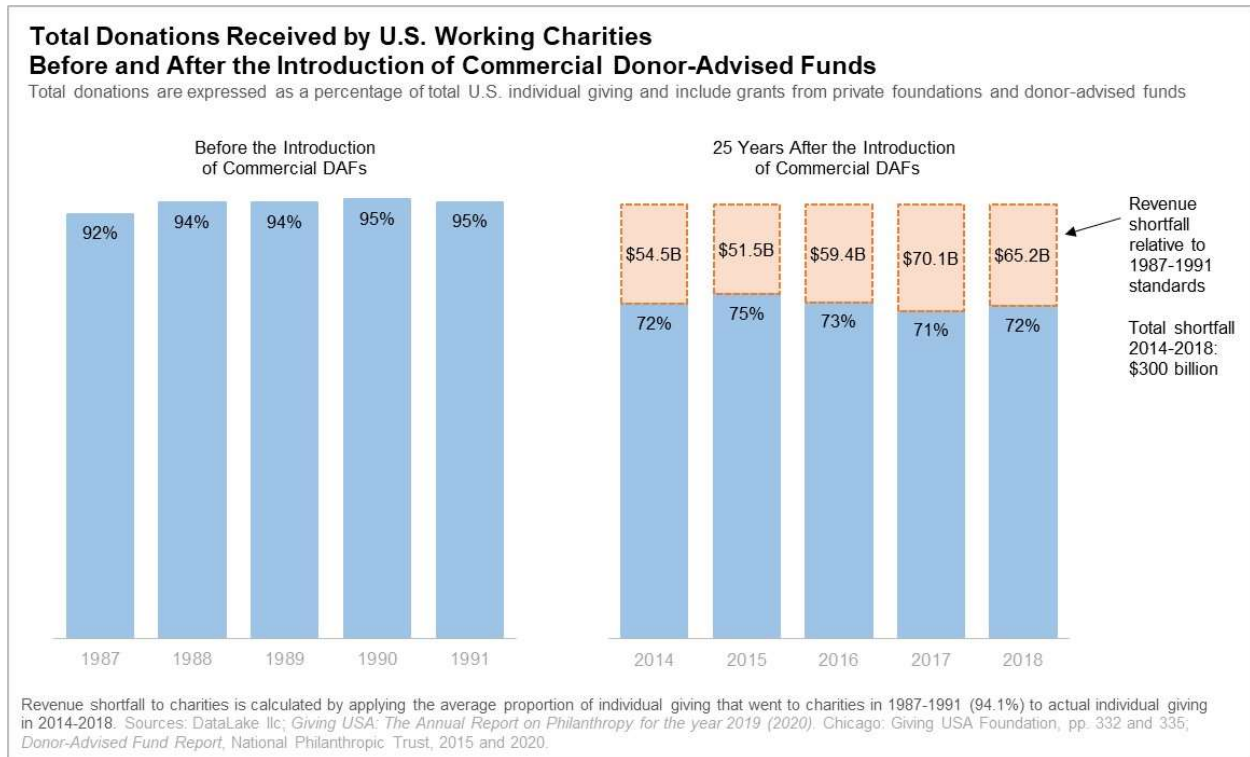
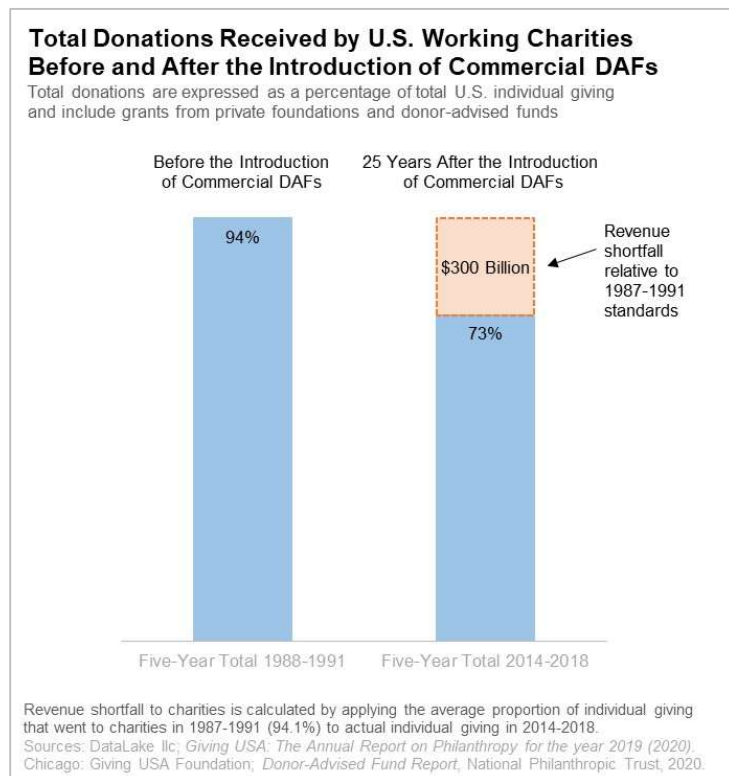


FIGURE 8



CONCLUSION

This report has examined existing data about changes in the charitable landscape since the creation of the first commercial donor-advised fund. The following are the key findings of this analysis:

- There is no evidence that the proliferation of donor advised funds has resulted in an increase in individual charitable giving as individual giving has remained largely constant as a percentage of disposable income, and is currently at the low-end of the range.
- While individual giving has remained largely constant, there has been a substantial shift in this giving toward donations to private foundations and donor-advised funds and away from direct giving to charities. Combined giving to donor-advised funds and private foundations has increased from 5% in 1991 to 28% in 2019, an increase of 460%.
- The value of assets in donor advised funds and private foundations have increased significantly over the past thirty years.
- Though more funds are flowing into, and growing in, private foundations and donor-advised funds, there is no evidence that charities have benefitted from this trend.
- In the five-year period prior to 1991, charities received on average 94.1% of all individual giving. By contrast in the years 2014-2018 (the most recent years for which data is available), total donations received by charities (including grants from private foundations and donor-advised funds as well as direct giving) equaled between 71-75% of total individual giving.
- If charities had received donations at the rate of 94.1% of individual giving (the average rate that they received in the 5-year period before commercial donor-advised funds), they would have received an additional \$300 billion over those 5 years.

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Thank you to Helen Flannery for her assistance with data visualization.