



# THE CANADIAN DONOR ADVISED FUND MARKET

## *Following the U.S. Growth Trajectory*



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## EXECUTIVE SUMMARY

Donor-Advised Funds (DAFs) are one of the fastest-growing segments of the Canadian Charitable and Philanthropic sector. Although we believe the Canadian DAF market is 5-10 years behind the U.S. DAF market, we believe the Canadian market follows the same growth trajectory.

This Report provides a detailed look into the Canadian Donor-Advised Fund market and the U.S. as a proxy for Canada. We investigate the key characteristics of DAFs, their pros and cons, the current Canadian environment for the product (with U.S. DAFs as a comparative reference), and a case study of eleven of the largest Canadian DAFs.

### Principle Conclusions of the Report

#### Attractive Features of a Donor-Advised Fund

- § There is a long list of assets that can be deposited into a DAF account, including cash, public securities, privately held shares, insurance, gifts in kind, and more.
- § All deposits to a DAF account receive a charitable tax receipt regardless of who makes the deposit.
- § DAFs are very attractive from a tax and estate planning perspective because the tax receipt on contributions is received up front and the investment growth in the account itself is tax free.
- § DAFs make it easy for accountholders to run their own fundraising campaigns linked to their account, thereby growing their impact over time.
- § DAFs are more cost-efficient and less time-consuming than creating a private foundation.

#### Pros of a Donor-Advised Fund

1. DAFs are the most efficient and flexible philanthropic option for donors.
2. DAFs simplify organization and tax record-keeping of charitable donations.
3. DAFs are an excellent option for legacy planning. They exist in perpetuity with named successors.

#### Cons of a Donor-Advised Fund

1. There is a delay between the deposits to a DAF and the remitting of funds to charities.
2. There is the potential for a conflict of interest for the manager of the DAF regarding fees earned.
3. There can be a lack of transparency for the accountholder.

## The Canadian Market

- § The Canadian DAF market has been estimated to be \$5.7bn in 2018 with expectations to reach \$7bn in 2023 and \$10bn in 2026.
- § The Canadian market is still dominated by large financial institutions (and some large Community Foundations) who operate DAFs with very high minimum contributions to open an account.
- § An increase in the number of U.S. DAFs with lower contribution thresholds has led to material growth in Assets Under Management. The lower threshold creates a philanthropic option for middle to high-income donors .

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September 2021: Charity Effectiveness and Efficiency  
October 2021: Growth Analysis  
November 2021: Gifts-in-Kind Analysis  
December 2021: The Use of  
External Fundraisers in the Charitable Sector



## Our Vision

We will participate in a thriving Canadian philanthropic sector where the most impactful charities with the highest governance standards are celebrated and supported by donor capital.

## Our Mission

The Veritas Foundation aims to be Canada's authoritative source for participating in the country's charitable sector and evaluating its effectiveness and impact.



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