



**GIVE**  
to your fund and receive  
a tax deduction

**GROW**  
your charitable assets

**GRANT**  
to the causes you care about

Contribution



Deduction



Donor Advised  
Fund

Administration Investments



Charitable Grants



# THE CANADIAN DONOR ADVISED FUND MARKET

## Update 2022



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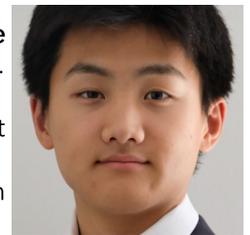
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## **EXECUTIVE SUMMARY**

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 expect it to follow the same growth trajectory.

This Report provides an update on the Canadian Donor-Advised Fund market. We present the important characteristics of DAFs, their pros and cons, the current Canadian environment for the product, and a case study of the more prominent and largest Canadian DAFs. We also discuss Community Foundations, a particular segment of Canadian DAFs that are growing in popularity. The Canadian DAF market is presented in relation to similar markets in the United States, United Kingdom, and Australia.

### **Principle Conclusions of the Report**

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

- DAFs can be created by individuals, community groups, or companies.
- 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, bitcoin, and more.
- All depositors 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 accrues tax free.
- DAFs make it easy for accountholders to run their own fundraising campaigns linked to their account, thereby growing their impact over time. The public can support the campaign and help grow the accountholder's charitable impact.
- DAFs are more cost-efficient and less time-consuming than creating a Private Foundation.
- DAFs are inter-generational which creates a Legacy of Giving for the founder.

#### **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 if there is not a proper governance structure in place.
3. There can be a lack of transparency for the accountholder.

## The Canadian Market

- The Canadian DAF market (excluding Community Foundations) has been estimated to have been \$5.7 bn in 2018 with expectations to reach \$7bn in 2023 and \$10bn in 2026.
- The Canadian market is still dominated by large financial institutions and large Community Foundations which operate with very high minimum contributions to open an account.
- Community Foundations are a large component of the Donor Advised Fund market in Canada. Our research has identified 208 Community Foundations whose assets have grown 43 per cent between 2016 and 2020.
- Community Foundations have not stepped up to aid their communities during the recent COVID global health pandemic. Their 2020 average Grant Disbursement Ratio of 5.3 per cent of Assets is half that of the DAF sector's 10.2 per cent, despite their stated mission to "improve the quality of life in their local communities."
- An increase in the number of U.S. DAFs with lower contribution thresholds led to material growth in Assets Under Management in that country. The lower threshold creates a philanthropic option for middle to high-income donors. This competitive innovation is now occurring in Canada.
- Recent amendments to the regulation of Charities and Foundations in Canada make it easier for DAFs to fund non-registered charitable initiatives through a DAF, including scholarships, community programs, and research.

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### **PREVIOUS RESEARCH REPORTS**

June 2022: The Canadian Charitable Sector, 2022 Update

July 2022: The Impact of COVID on the Canadian  
Charitable Sector, 2020-2021 Results

### **UPCOMING RESEARCH REPORTS**

September 2022: Balance Sheet Analysis of the Canadian Charity Sector

October 2022: Activity Outside Canada by Canadian Charities

November 2022: The Veritas500 Report on Canada's Fastest Growing  
Charities

December 2022: Employment Analysis of Canada's Charities



## 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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