



EP132 - Your Money, Your Legacy: How Donor Advised Funds Work

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Lawrence: Welcome to the Empowered Investor Podcast. My name is Lawrence Greenberg and this is part two of a three part series on charitable giving in Canada. So in today's episode we're going over donor advised funds. So we have a very special guest for this podcast, Linda Argalgi, who will walk through a little bit in a second. We're going to go over what JCF, the Jewish Community foundation and what they do, what a donor advised fund or DAF or philanthropic fund is and how people could use it, what a DAF is and how it compares to a private foundation. The details and the mechanics of how a DAF works for your personal finances and for taxes, for example, how to plan around a donor advised fund, how to use this strategy for your finances and who is best off to use this type of strategy. So first off, Linda, thank you for joining the show today.

Linda: Thank you so much, Lawrence. I'm really excited to be here today.

Lawrence: Well, thanks for coming. So why don't you explain to the audience a little bit about your background.

Linda: So I'm a tax accountant by trade. I'm a CPA, proud alumni of McGill and Concordia here in Montreal. I worked at a large accounting tax firm for over 13 years. And one day the opportunity to switch fields into philanthropy fell into my lap. And I'm at a point now where my kids are learning about things like charity and about justice and about repairing the world. And I said, how fortunate could I be to work in such an industry and help people achieve their philanthropic goals?

Lawrence: I think that's great. So that's a big career pivot as opposed to being in a large firm in an audit environment or an accounting environment, you're working with people and helping them give and help the community. So I think that's wonderful.

Linda: That's correct. And there actually is a lot of tax planning involved in gift planning. And of course we always work with our donors' advisors in implementing the different gift plans. But certainly there is a tax planning component in there.

Lawrence: Absolutely. So we'll talk a little bit about that in a second. But this is a huge part of a person's financial plan. There's the investments and there's the retirement planning, there's tax, there's insurance, and there's three. Philanthropy and making sure that everything jives with the person and they can fill their objectives is the goal of what we do in our fields.

Linda: That's right.



Lawrence: So why don't you walk us a little bit through who the Jewish Community foundation is and what you guys do.

Linda: So the JCF has been in existence for 55 years and the goal is really to inspire, enable, and optimize philanthropy as a whole.

Lawrence: Okay. So you guys have been around for quite some time. You must have gone to a certain size at this point.

Linda: We're very proud to say that we have over 3,000 funds.

Lawrence: Wow.

Linda: And collectively, those 3,000 funds mean over \$3 billion of assets under management. And in fact, that makes us one of the largest, if not the largest community foundations in all of Canada. So that really speaks to the immense trust that our donors have placed in us.

Lawrence: Absolutely. So you are the largest in Canada. That's wonderful. And 3.1 billion of assets. So that investment in donor advised funds in those 3,000 accounts will eventually go to charities. That's massive.

Linda: Exactly. So that is the future of our community in Canada. And if we think about the giving that our donors have so generously done in our 2026 year alone, that's over \$270 million to charity. Wow. So sometimes you think about that number, but that's hospital equipment, that's schools, that's arts and culture centers. It's any type of giving in Canada. And we're really proud to have facilitated that for our donors.

Lawrence: So these are people who would have opened up a donor advised fund had that money grown and been invested. And then as per their wishes, they said, hey, I want to give to this school, to this hospital. So how does a person who has a donor advised fund give to charities? How does that work?

Linda: So that's a great question. The goal of the fund is really to make giving easier, easier so that people don't have to worry about the administrative burden of giving and can simply enjoy the gift of giving by donating assets into the fund. It's very easy for them to say, send \$100 to the hospital or \$1,000 to the Art center, and then we go ahead and do that for them. And in fact, there are a number of other donor advised funds providers in all of Canada.

Lawrence: Okay.

Linda: Banks offer DAFs, there are other community foundations, and there are platforms available and

Lawrence: They all have their different structures and their different requirements. But these are all vehicles. You guys offer this offering of a donor advised fund to house the money, do the administration, and then help people give directly to charities.



Linda: Exactly. So I'll be speaking about how the JCF operates. And each donor advised fund organization has their own way of operating, their own fees, their own investment strategies, their own requirements.

Lawrence: When you make the donation to a donor advised fund, it's invested. Correct.

Linda: So at the JCF, we offer three types of investment options for our donors. The first is that the fund can be held in cash. If it's held in cash, we don't invest on their behalf and the balance is what it is. But we also don't charge any fees. So what I generally tell people is that if their goal is to use the fund in the short term, it doesn't make sense to invest it because as we all know, the market has its ups and downs.

Lawrence: Oh yeah.

Linda: So just use us for our service.

Lawrence: Perfect.

Linda: There are two other investment options. The first is that the fund can be invested in our pooled fund, the goal of which is to earn a long term return of about 7% to be able to perpetuate philanthropy.

Lawrence: Okay, so that's similar to a pension fund or an endowment fund where they need to fund certain disbursements. You want to have enough growth in the portfolio to grow long term, but enough conservative assets to sustain the value, fund the disbursements and to hopefully outpace inflation.

Linda: That's exactly correct.

Lawrence: Okay, very interesting.

Linda: And then the last option that we offer for funds over a million dollars is that the fund can be invested with a broker of their choice. It remains a JCF fund, but the donor can select to have the investment managed by their trusted advisor.

Lawrence: Gotcha. So up to a certain size, the donor has that option to work with their existing broker or financial advisor.

Linda: Exactly.

Lawrence: Very interesting.

Linda: And the option of investments of course, differs across different donor advised fund providers. This is how the JCF operates.

Lawrence: Gotcha. Very helpful. Okay, so why are many Canadians turning to donor advised funds?



Linda: We find that it's really a better way of giving. It's a way for people to centralize their philanthropy and take advantage of the tax efficiency of giving certain types of gifts while easing their administrative burden.

Lawrence: That makes perfect sense. So it's a really great strategy for timing, for planning, and to make sure you give in an efficient way. So let's debunk something which is, I think very relevant is a lot of the stigma around a donor advised fund is people assume it's like a foundation where you it's only for the ultra wealthy. And I think that's virtually incorrect. So can you speak a little to that?

Linda: And we get that question very often as well. It's helpful to take a step back and look at where DAF's really came from and how they gained their popularity, which is in fact coming from the US so DAFs gained a lot of popularity in the US for exactly the opposite reason. In the US the wealthy made use of their private foundations and a DAF was actually the way for many other people to have the power of a private foundation without the cost. And in fact, because of the versatility of what you can do with a donor advised fund, we're seeing a lot of wealthy people close their private foundations and move their assets into a daf. So the DAF in and of itself is like a gift plan.

Lawrence: Okay.

Linda: You're taking all your gifts, you're centralizing them in one place and not using your DAF only for your big gifts, but for all gifts.

Lawrence: So that's a huge advantage of a donor advised fund. It's all in one place.

Linda: That's right.

Lawrence: It's centralized, it's all the administration is in one place. So we'll go through. Now I think it's very relevant to compare how a donor advised fund compares with a private foundation. Can you walk us a little bit through how that works? And the first is the kind of quintessential question is who owns the asset?

Linda: And that's an important place to start. There is a distinction in terms of who owns the assets. In a private foundation, the asset is essentially yours. With a donor advised fund, you're acting in the role of an advisor. You've transferred an asset to the foundation. In exchange you've received a donation receipt and the asset then technically becomes the foundation's.

Lawrence: So that's a really important point. When you contribute, when you donate to a donor advised fund, you part ways with that money. You get the full tax benefit for the donation at that point. After that it is, you don't control the assets anymore. It's not your asset.

Linda: Exactly. Technically, once it's at the foundation, it is a foundation's asset. Practically, we honor our donors' wishes.

Lawrence: Exactly.



Linda: So as long as they grant to any Canadian registered charity, and in some cases when the grant is large enough internationally, we will work with our donors to achieve their wishes.

Lawrence: Okay, very helpful. So in terms of the administration of a foundation versus a donor advised fund, that could not be any more different. So my understanding is for a foundation it's a lot more burdensome.

Linda: Is that right? 100%. So as you know, one must file tax returns, incur setup and legal costs as well as annual administration costs for private foundations. With a public foundation, or rather a fund at a public foundation, you've shifted that administrative burden. You no longer have to take care of it. You can just enjoy the gift of giving. We take care of the annual tax return which is done for the foundation as a whole, as well as any legal requirements.

Lawrence: So that's a big difference. Right. So for a foundation, it's a separate entity, there is a lot of administration and legal and compliance and dealing with the CRA where with a donor advised fund you are delegating that responsibility. You, the JCF or any other DAF provider will do, the administration will issue the slips and so on.

Linda: Exactly.

Lawrence: So let's talk a little bit about the actual mechanics of a private foundation and a donor advised fund in terms of a disbursement quota, you know, the money actually leaving the fund, going to the charity directly.

Linda: And that's a great point. In Canada, all foundations, public or private, are required to disburse a minimum of 5% every year to ensure that there's charity being done on an annual basis. Of course, yeah, that's what we're all here for.

Lawrence: Yes.

Linda: With a public foundation that's computed for all the funds on a collective basis and for us in particular, our disbursement quota is closer to 10%. What that means for our donors is that it gives them complete flexibility in terms of how much they want to spend in any given year.

Lawrence: So that is a huge difference. And not all DAF providers have that kind of flexibility. But my understanding is, since the overall JCF fits the requirement of at least 5% every year and each individual DAF does not necessarily have to reach that threshold, they could be lower, but they could be higher. So for example, if your goal is to let the money sit for a couple years and grow to be able to give more in the future, you have that flexibility, which is huge.

Linda: Absolutely. So we see people for example, doing one mining flow through share in the year to be able to fulfill their annual pledges to their religious institutions, to their children's school, to their local community center and spend the entire balance in the year. We have others who choose to do gifts for the first year, second year, the third year to build up their fund over time and make a large impactful one time gift in a future year.



Lawrence: Yeah, so that's twofold. So that's the big impactful gift in the future. And also the timing of when you're doing the contributions. And we'll speak a little bit more that a little later in the episode. So I understand now from a private foundation versus a donor advised fund, there could be differences in terms of the ease of accepting certain types of gifts. Can you explain that a bit?

Linda: That's right. So there are many different assets that one can give in Canada. One can give cash, of course. Then there's also marketable securities mining flow through shares, gifts of real estate, gifts of life insurance, and gifts of private company shares. At the jcf, we can accept all these different types of gifts. Other DAF providers may or may not accept all types of gifts. An important distinction is that for a private foundation, generally it cannot accept private company shares and hold them for a certain period of time.

Lawrence: Okay, so there's two other characteristics that I want to make sure we go over today in terms of a private foundation versus a donor advised fund. The first one is privacy. So what does that look like?

Linda: So interestingly, one hears the word private foundation and thinks that it's completely private. But in fact it's the opposite. Information about private foundations is easily searchable. On the CRA's website you can find the name of the private foundation, its trustees, its revenues, its expenses, its objects. Everything is available online. By contrast, having a donor advised fund, specifically at the JCF, we keep all information about our donors completely private. We never disclose who our donors are or what they've given to us.

Lawrence: Unless you want to.

Linda: Unless you want to.

Lawrence: Okay.

Linda: In all instances, gifts have the option of being anonymous. And the only time we name a fund is when the actual wire transfer is going from that donor's fund to the organization. Otherwise nothing is on our website, nothing is in our annual report. Privacy is of utmost importance to us.

Lawrence: Absolutely. Okay. And the last characteristic I'll call it is in terms of legacy. So how does legacy factor into a donor advised fund and a private foundation?

Linda: That's a great question. So with a private foundation, so long as the original donor is there, he or she is completely in control with regards to anything regarding that private foundation. Eventually, when they're no longer here, the future trustees of that private foundation make all future decisions. They could change the name of the foundation. They can change the mission of the foundation. Not that one mission is right or wrong, it could just differ from the original intent. With a donor advised fund at the JCF, it's of importance to us to maintain our original donors wishes so, so they may name from the outset what they want, the balance of their fund to go to right. When they set up their fund or as they build it up and we'll ensure to honor those wishes after they've gone.



Lawrence: Okay, that makes a lot of sense. So my major takeaway for the differences between a private foundation and a donor advised fund is that a private foundation has a fair amount of administration and compliance and burdensome hurdles to get through. However, a donor advised fund is a lot more flexible and. And it could be a lot more inexpensive and a lot lower minimums.

Linda: Exactly. And I think you've hit the nail on the head. I really think about it in terms of the administration, the flexibility, the disbursement, the privacy and the legacy.

Lawrence: Very good. Because we have, you know, in our practice seen clients ask, are there foundations that I should be looking at? Are there different mechanisms I should be using in terms of giving? And more often than not, it's not a foundation, it's a donor advised fund. If you have the infrastructure, you know, if you're at a family office and you already have, you know, a legal team and a compliance team and you can handle the obligations, it may be a very viable solution. But for most people, a donor advised fund is a much more all encompassing strategy that has a much broader range.

Linda: Absolutely.

Lawrence: Yeah.

Linda: And we tell donors the same thing. We always say, explore your options, see what's out there and find what works best for you.

Lawrence: Absolutely. So very helpful, very good discussion there on private foundations and donor advised funds. So let's go over the mechanics of a donor advised fund. How does it work from A to Z? And what I've pinpointed is four steps from the time the money leaves your account in terms of the donation versus the money being received by the charity itself. So first is a donation to the donor advised fund. So this could be done, could be cash, could be in kind. And you said other types of assets. Right. So it could flow through shares, it could be real estate, insurance, shares of a private business.

Linda: That's correct. And the other important thing to note is that different taxpayers can contribute to the fund at any time. So for example, you can have two different spouses contribute to the fund. You can have a corporate group, a company within the corporate group contribute to the fund and everything gets pooled in the family's fund and the slip is issued accordingly.

Lawrence: Right. So if you're a family and there's a holding company, the holding company can donate directly to the DAF could be spouse A or spouse B and they receive the tax slip to them, obviously.

Linda: Exactly. The key is to look at which taxpayer has the asset, which taxpayer needs the receipt and mix and match to find the optimal solution?

Lawrence: Yeah. So if you're a John, a Jane and a holding company, if you're John and you have very low ACBs, low cost, a lot of gains in the portfolio, you could give personally, or maybe the holding company has more gains and given the asset mix and attack situation, maybe it makes sense to give from the holding company as opposed to personally. Now these are the types of scenarios where you must talk with your financial advisor and your accountant. But you have different ways to contribute to a donor advised fund, right?



Linda: Absolutely.

Lawrence: So that's step one. Step two is you are issued the slip as per the donation. So at that time the money goes from your account to the donor advised fund. That is a tax receipt that's being issued and you could use those credits. While the money is issued in the donor advised fund, the assets are growing tax free. Right. So as we alluded to before, if you have the money with the JCF, there's an asset allocation that is predetermined. It's in a pooled fund with a target return and it's growing for the future. So you could give more. When you decide that you want to give to charity A or charity B, you go through JCF and they will follow your wishes and make sure the money goes to the charity of your choice.

Linda: Of course, and this is very useful if you think about one's annual giving. Many people use their donor advised fund on an annual basis, contributing assets to it throughout the year or even once a year. Where it can be especially useful is if one has a big tax year, maybe they received a bonus, maybe they sold a business or a large piece of real estate. That tax event combined with a wealth creation event is the opportune time to bring in philanthropy by taking advantage of the tax event benefits, but also the opportunity to make a large impactful gift. The important thing is that at that time it's important to receive the tax receipt from a tax perspective. But donors may not know which organizations they want to support at that time.

Lawrence: Absolutely. So that is a huge point for a donor advised fund and how it fits into a lot of the conversations that I have with clients is that you could be strategic in when this donation is actually made. So if you have a large tax event prioritizing, maybe even front loading X years of giving into that year, you get the tax benefit when your income's higher because you had a wealth creation event, as you said, and the credits are more powerful.

Linda: Exactly. And it allows you to give to different charitable organizations if that's your choice. So by making a large gift into your fund, you can give some money to organization A, some money to organization B, or make a large impactful gift to another organization. Yes, it's the complete flexibility.

Lawrence: Totally. So in terms of the planning is a very important concept if you could carry forward the credits, as we alluded to in the first episode on charitable giving. You have five years in the future from the time of the donation to use those credits. So, for example, a nice planning opportunity that we see is if someone is about to retire, they're professional, they're earning T4 salary of 200k, they know they give \$5,000 a year. Let's take X years of future gifts, front load it when my income is high, when I'm still working and not retired, and then use those credits for the next couple of years when your income is still relatively high. And then you could give in perpetuity, or you could give for the next decade. That creativity and that planning mindset could be very, very powerful for the right person.

Linda: That's right. And these are people who are philanthropic and want the opportunity to give. So it's important to look at when their opportunity to give is made available to them and work the gift planning around that.

Lawrence: Absolutely. So, Linda, can you give us an example of someone who used a donor advised fund recently?



Linda: I'm actually working with a client right now who sold a piece of real estate last year, who's very philanthropic, but because of the large gift that they were making, didn't want to give everything at once and also didn't know what causes they wanted to support. So by working with their advisors, we determined that a cash gift from their company was the solution for them. They put a certain amount of money into their fund at the JCF in order to obtain their immediate tax receipt for tax purposes. And we're meeting with the family, including the children, to talk about their family's goals for philanthropy. What values do they hold near? What causes do they want to support? What does philanthropy look like? What does successful philanthropy look like to them as a whole? And having those conversations, especially by bringing their children into the mix, is something that we feel particularly honored to do.

Lawrence: Absolutely. So that speaks to another key aspect is the legacy. So you can name your donor advised fund, have this family legacy in place, and be able to make sure your wishes are kind of followed through. Which leads me to our next section is what happens when the donor passes away? How are things set up?

Linda: And that's a really important question. When we set up a fund, right at the outset, we ask donors to name their fund, which I'll actually return to in a moment. But we also ask them to name who's the decision maker of the fund, who's the chair. In our agreement with them. Right after that, we have a slot for a replacement chair. God forbid, if the original donor and chair is no longer here, no longer able or willing to recommend grants, who can we turn to to take on that role? We go a step further. For funds with significant enough balances, we work with our donors to draft what we call a letter of agreement. In that letter of agreement, the original donor can tell us exactly what they want to do with the fund. They can name a replacement chair. They could set up an endowment fund. They can make straight gifts, they can set up scholarships. They could do a mix of any of the above.

Lawrence: So they have full power.

Linda: They have full power. And we work with them to ensure that we respect their wishes in perpetuity.

Lawrence: So things could be set up. If I'm no longer here, how are my wishes going to be followed through? And it's by naming replacement chairs. Right. So that has to be done before, and this is where I'm kind of going, is that there is a misconception where someone passes away if things are not set up correctly. The executor may assume that this falls under their purview, but it actually doesn't. Right.

Linda: It's a very, very important distinction.

Lawrence: Okay.

Linda: When an asset is transferred to a donor advised fund, it is no longer the asset of the deceased.

Lawrence: Exactly.

Linda: It is the asset of. Of the public foundation. And we've gotten asked that question as well. So the executors, unless they are named, unless they happen to be named as a replacement chair, they cannot



decide what to do with the balance of the fund. And that's why for us, it's very important to have the letter of agreement or a named replacement chair to fulfill that role.

Lawrence: Absolutely. Things need to be set up correctly.

Linda: That's right.

Lawrence: To make sure they align with your wishes after you're gone. And. And in terms of where the money goes, which charities receive the funds, what are your wishes in terms of giving long term and hopefully perpetuity.

Linda: Exactly. It's a beautiful way to ensure that donors are able to continue fulfilling their charitable gifts long after they're gone.

Lawrence: So one item that I wanted to make sure I address in this episode is a bit of a debate going on. I've seen some articles written. Are donor advised funds delaying giving to charities?

Linda: And that's a really important question. So, as we know, foundations in Canada are required to disburse a minimum of 5% every year. A number of years ago, that number was actually 3.5%. So it's gone up. Exactly. For this reason. There are arguments that foundations are holding on to money.

Lawrence: Okay.

Linda: From our point of view, especially because of the flexibility. People can give as much or as little as they want, and our disbursement is actually higher than the minimum requirement. We also have to think about the long term needs of the community. Of course, there are current needs and they are great, and it's important to meet them and address them. However, it's also important to think about future needs that we don't know what they are at this time.

Lawrence: Yes, exactly.

Linda: And the idea that comes to mind most is Covid. Who would have thought about what Covid did and the needs that it created in terms of food relief, in terms of schools, in terms of cultural centers and religious institutions. No one could have foreseen the impact that Covid had. And by setting up the ability to take care of those organizations in the future, that's something that's of equal importance.

Lawrence: Absolutely agree. So this allows you to give more in the future, to think about future needs of your community, but also to focus on the present and to balance both, which I think is quite unique. You could achieve both, and both could exist. To focus on the now, but also to hedge almost and to focus on the future. There will be future needs, and the ability to have your donation dollars growing for the future is very powerful. So in our podcast, we talk a lot about compounding. The same exists with what you could give, which is a really powerful concept.

Linda: Absolutely.



Lawrence: Yeah. So we're just wrapping up now. That was a great conversation. So a quintessential part of the way we end our episodes is to ask what your major takeaway or closing thought is.

Linda: So for me, I want people to walk away with the idea that a donor advised fund can allow them to give more than what they would have otherwise thought possible. Instead of giving a gift to a charity that's worth \$500 to the charity, maybe at the same cost to you, that can result in a \$2,000 gift to the charity that's creating greater impact for your dollar. And also, once you know about DAFs, we think that there's no better way to give.

Lawrence: Absolutely agree. Very well said. From my perspective, I think more people than were previously using the strategies can actually benefit from using a DAF and it factoring into their financial profile and in line with their giving objectives. So it's a really powerful strategy, a really great way to give and to that your dollars are being best used for the community as a whole. So Linda, with that, thank you so much for coming on the podcast. You were great and I hope to see you in future episodes.

Linda: Thank you so much Lawrence. It was a real pleasure to be here.

Lawrence: Take care.

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