

FREEWILL PARTNER TRAINING

# Smart Giving Basics (101)



# Smart Giving Certificate

Our optional certificate program is offered to FreeWill partners at no cost

Complete these requirements to receive a Certificate of Completion and an invitation to add the accomplishment to your LinkedIn profile

- Smart Giving Basics (101)
- Smart Giving Marketing (102)
- Smart Giving Conversations (103)
- Smart Giving Solutions (104)
- Smart Giving Stewardship (105)
- Final online quiz

Eligible for 5.0 CFRE continuing education credits



# Agenda

- 01 Stock gifts 101
- 02 Qualified Charitable Distributions 101
- 03 Donor-Advised Funds 101
- 04 Cryptocurrency gifts 101
- 05 Resources & next steps



# Stock gifts 101



# Defining key terms:

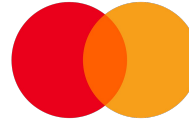
## Stock

### Stock

A stock is a type of investment that represents an ownership share in a company or corporation



AT&T



PayPal



# Defining key terms:

## Mutual funds, securities

### Mutual Fund

A mutual fund (index fund, ETF) is an investment in a group of stocks, as opposed to a share of stock in a single company

### Security

A catch-all term for stocks, bonds, mutual funds, ETFs, and other types of investments you can buy or sell



# Defining key terms: Cost basis, market value, capital gain

## Cost Basis

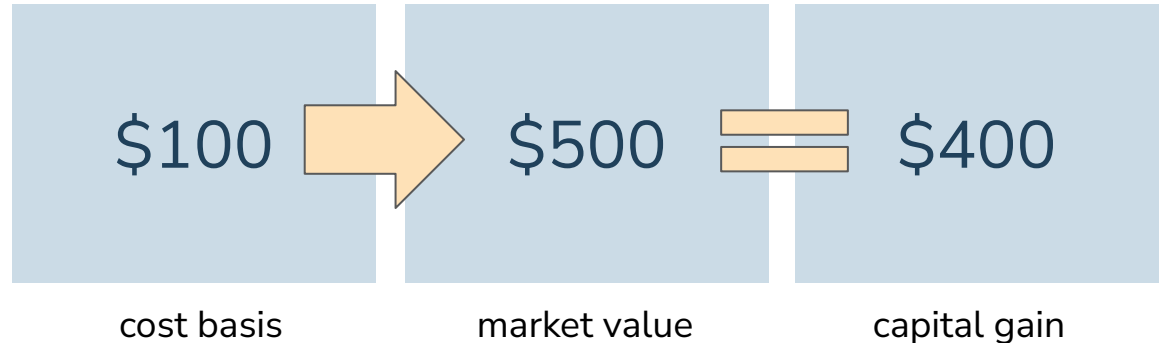
The investor's original purchase price

## Market Value

The price at which a share of stock last traded (current price)

## Capital Gain

The market value of a stock minus the purchase price



# Defining key terms: Capital gains tax

## Capital Gains Tax

A federal tax on profits realized by the sale of an asset

The federal government taxes capital gains when a share of stock is sold

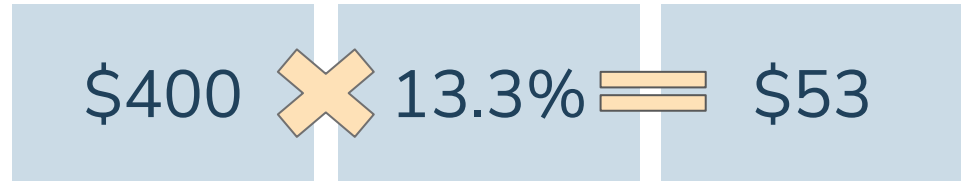
When stocks are transferred directly to charity, without first being sold by the donor, the donor avoids all capital gains tax on the donated shares



capital gain

capital gains tax rate (15% or 20%)

federal capital gains tax owed



capital gain

state income tax rate (CA)

state income tax on capital gains owed





# Defining key terms:

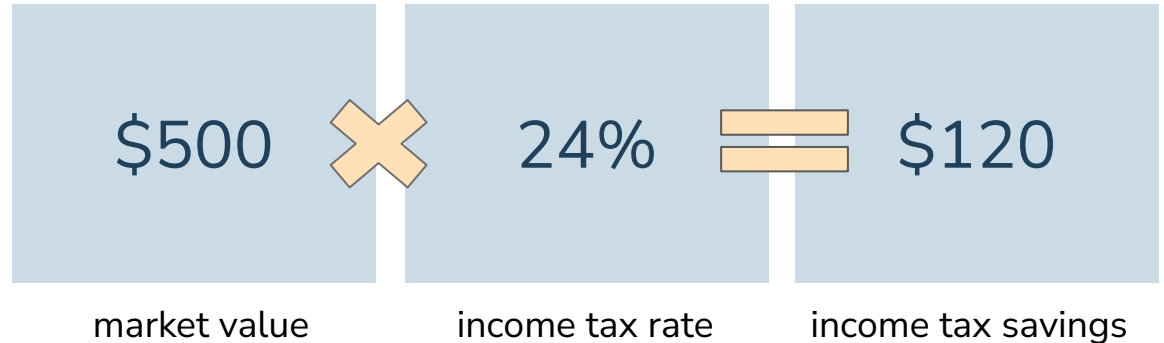
## Income tax

### Income Tax

A tax that governments impose on income generated by business and individuals within their jurisdiction

In addition to the federal government, many states and local jurisdictions also require that income tax be paid

Donors can deduct stock gifts from their taxable income using the charitable deduction, thus lowering their income tax bill



# Defining key terms:

## Stock gift

### Stock gift

Federal tax code allows individuals to donate stocks and other securities to charity.

- The stock must be gifted to a qualified charitable organization
- The donor should receive nothing of value in return

FreeWill's stock tool makes giving appreciated securities easier than ever, and helps nonprofits more easily track, receive, and acknowledge gifts of stock

Stock gifts can also be made online or by phone with the broker holding the assets

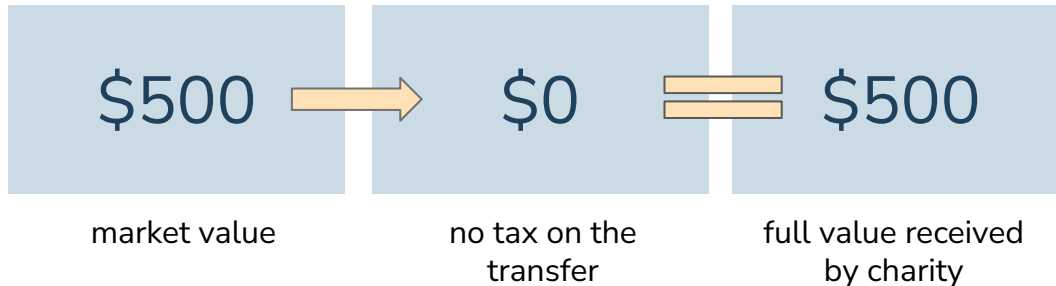
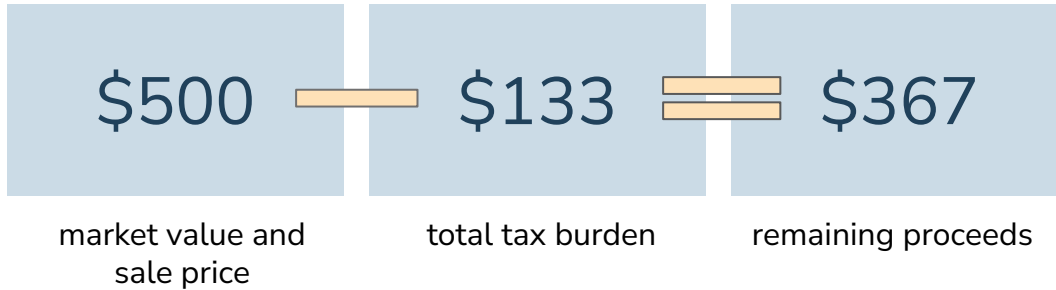


## 8 reasons stock giving should be part of your fundraising strategy

- Stock giving is growing in popularity
- The tax benefits can be significant
- There's more money in assets
- Giving stock helps donors make a bigger impact now



# 8 reasons stock giving should be part of your fundraising strategy



# 8 reasons stock giving should be part of your fundraising strategy

- Average online donation: \$177
- Average annual charity donation for Americans in 2020: \$737  
Source: [Define Financial](#)
- Average FreeWill stock donation: \$10,709





## 8 reasons stock giving should be part of your fundraising strategy

- Stock giving is growing in popularity
- The tax benefits can be significant
- There's more money in assets
- Giving stock helps donors make a bigger impact now
- Stock gifts drive fundraising success
- Some stocks make better gifts than others
- It's still a good time to give stock
- Donating stock online can be easy, safe, and secure



## Let's look at one more donor example

A hand holding a large, glossy red heart against a bright blue background. The heart is the central focus, symbolizing generosity and care. The background has some geometric shapes like triangles in grey and orange.

FREEWILL 

Donating stock:

**The smartest way to  
make a difference.**



By giving stock instead of cash, donors can **save on two types of taxes, preserve their cash on hand,** and make a **bigger impact on your mission** this year.





# Qualified Charitable Distributions 101



# Defining Key Terms: IRA

## Individual Retirement Account (IRA)

An IRA is an account that allows people to save money for retirement every year

Traditional IRAs are funded with pre-tax money, which is invested and hopefully grows over time

They don't pay capital gains tax on the growth

They do pay income taxes when money is taken out of the IRA ("distribution")



# Defining Key Terms: QCD

## Qualified Charitable Distribution (QCD)

A donation that is transferred directly from an individual's IRA to a qualified 501(c)(3) charity

Key term here is “directly”

Also known as IRA gifts or IRA Charitable Rollovers

What is NOT considered a “qualified” 501(c)(3)?

- Private foundations
- Supporting organizations
- Donor-advised funds



## Who is eligible to give QCDs?

- Must be 70.5 years old or older
- Money usually comes from a traditional IRA
- Roth IRAs are eligible but already tax-free
- 401(k)s and 403(b)s are not eligible
- Limited to \$105,000 a year per person\*



# Defining Key Terms: RMD

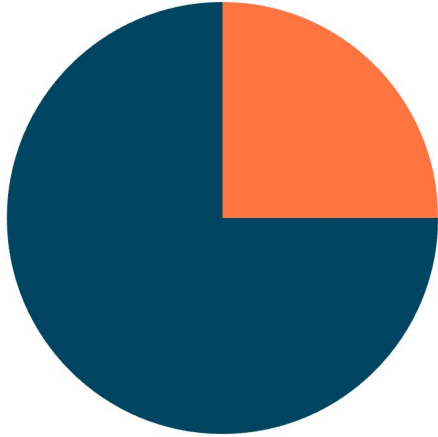
## Required Minimum Distribution (RMD)

A minimum amount that an IRA account holder must withdraw annually, beginning at the age of 73

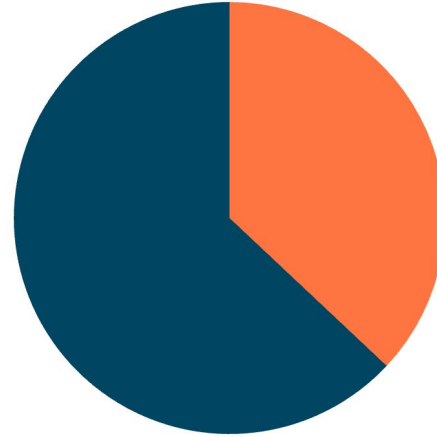
If they do not take their RMD, they face a penalty



## Taxes & penalties incentivize donors to make QCDs



25% PENALTY TAX  
IF ONE DOESN'T WITHDRAW  
THEIR RMD



UP TO 37% FED INCOME TAX  
IMPOSED ON NORMAL  
WITHDRAWALS FROM ONE'S IRA





# Why do donors give QCDs?

## QCD gifts:

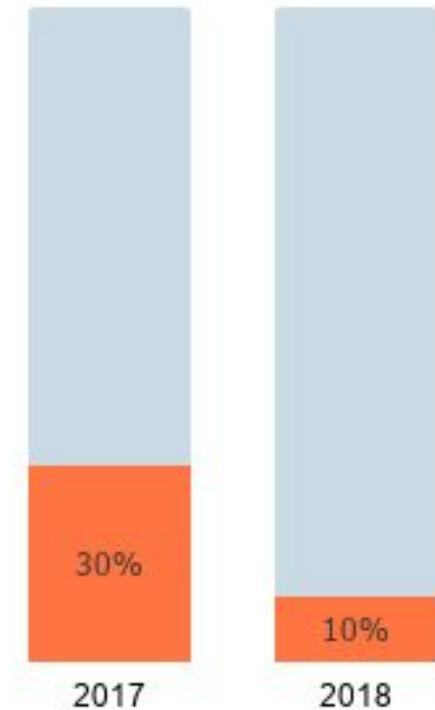
- Always come from pre-tax dollars (up to \$105,000 per year)
- Are not added to the donor's taxable income (as RMDs are)
- Count toward a donor's RMD (for people age 73+)
- Reduce the donor's overall IRA balance, which reduces future RMDs
- Make an immediate impact on your mission



# Why do donors give QCDs?

## Tax Cuts and Jobs Act of 2017 (TCJA)

- Doubled the standard tax deduction for tax years 2018-2025
- Capped itemized deductions for state and local taxes at \$10,000/year
- Now, most taxpayers see a bigger tax break from taking standard deductions than they do from itemizing deductions (like charitable contributions)





## Why do donors give QCDs?

	Without QCD	With QCD
AGI	\$125,000 (\$60,000 in RMDs)	\$120,000 (\$60,000 in RMDs, which includes a \$5,000 QCD that doesn't count toward AGI)
Total donations	\$5,000 Cash	\$5,000 QCD
Standard deduction	\$26,600	\$26,600
Federal taxable income	\$98,400	\$93,400
<b>Federal tax</b>	<b>\$13,527</b>	<b>\$12,427</b>

**The couple saved \$1,100 in taxes by making a QCD gift instead of a cash gift.**

# Why do donors give QCDs?

Worth noting:

Historically, QCDs had to be fully charitable – the donor could receive no benefit for the gift

Beginning in 2023 with the SECURE 2.0 Act, donors could initiate a one-time transfer from their IRA to fund a life-income gift that pays the donor income, such as:

- Charitable remainder trust
- Immediate charitable gift annuity

In 2024, the limit for this transfer is \$53,000



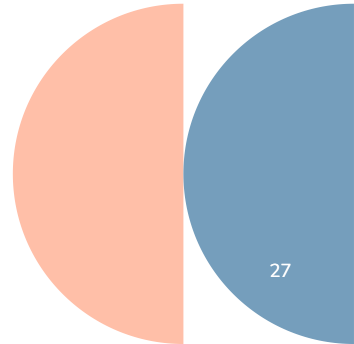
# Why should nonprofits like QCDs?

QCDs are generally larger than cash gifts because they inspire the “generosity effect”



## *Example:*

- Darcelle just turned 71 years old
- Still working, making \$1K per month
- Has an IRA with a \$500K balance
- A \$500 cash gift is 50% of her monthly income
- A \$5,000 QCD is just 1% of her IRA balance



# Why should nonprofits like QCDs?



Dow Jones Industrial Average



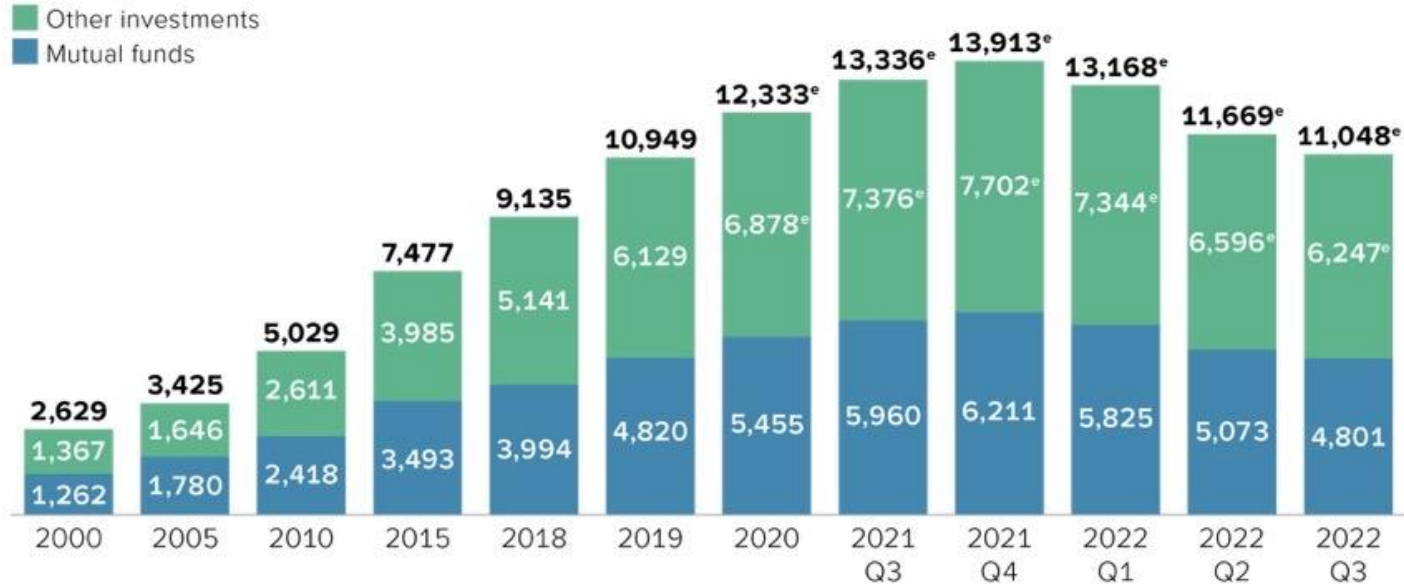
NASDAQ



# Why should nonprofits like QCDs?

## IRA Market Assets

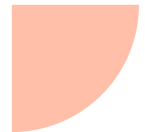
Billions of dollars, end-of-period, selected periods



Source: [Investment Company Institute](#)

# Why should nonprofits like QCDs?

- Average online donation: \$177
- Average annual charity donation for Americans in 2020: \$737  
Source: [Define Financial](#)
- Average FreeWill QCD donation: \$4,684



# Why should nonprofits like QCDs?

Non-cash gifts like QCDs drive fundraising growth



# Why should nonprofits like QCDs?

Non-cash gifts like QCDs drive fundraising growth

	\$100K to <\$500K	\$500K to <\$1MM	\$1MM to <\$2MM	\$2MM to <\$3MM	\$3MM to <\$5MM	\$5MM to <\$10MM	\$10MM+
<b>Nonprofits reporting only cash</b> contributions in 2010 & 2015 on e-IRS 990s	<b>56%</b> [n=9168]	<b>25%</b> [n=2397]	<b>14%</b> [n=1343]	<b>18%</b> [n=478]	<b>0%</b> [n=358]	<b>0%</b> [n=223]	<b>26%</b> [n=146]
<b>Nonprofits reporting any noncash</b> contributions in 2010 & 2015 on e-IRS 990s	<b>137%</b> [n=2278]	<b>71%</b> [n=1373]	<b>60%</b> [n=1215]	<b>58%</b> [n=652]	<b>48%</b> [n=728]	<b>36%</b> [n=679]	<b>35%</b> [n=962]
<b>Nonprofits reporting securities</b> contributions in 2010 & 2015 on e-IRS 990s	<b>400%</b> [n=114]	<b>176%</b> [n=187]	<b>103%</b> [n=340]	<b>94%</b> [n=284]	<b>68%</b> [n=385]	<b>50%</b> [n=427]	<b>43%</b> [n=707]



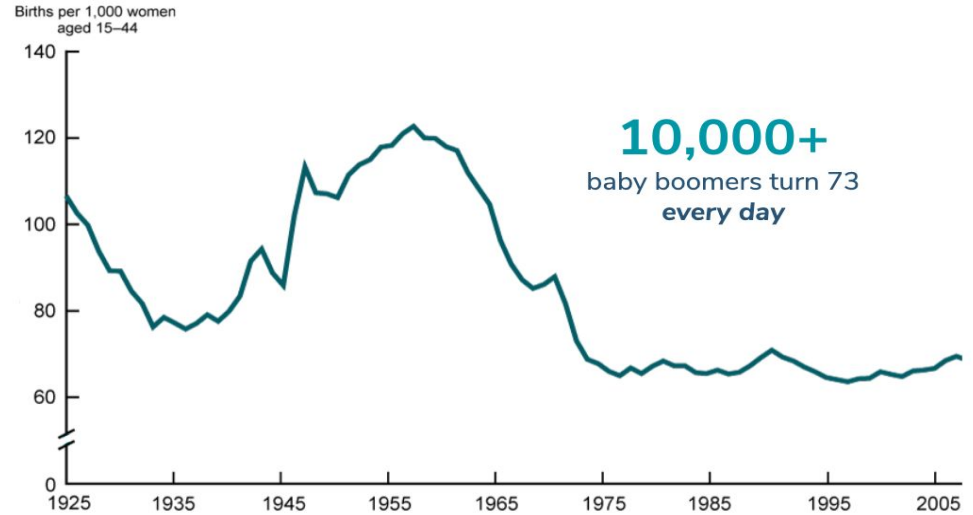


# Why should nonprofits like QCDs?

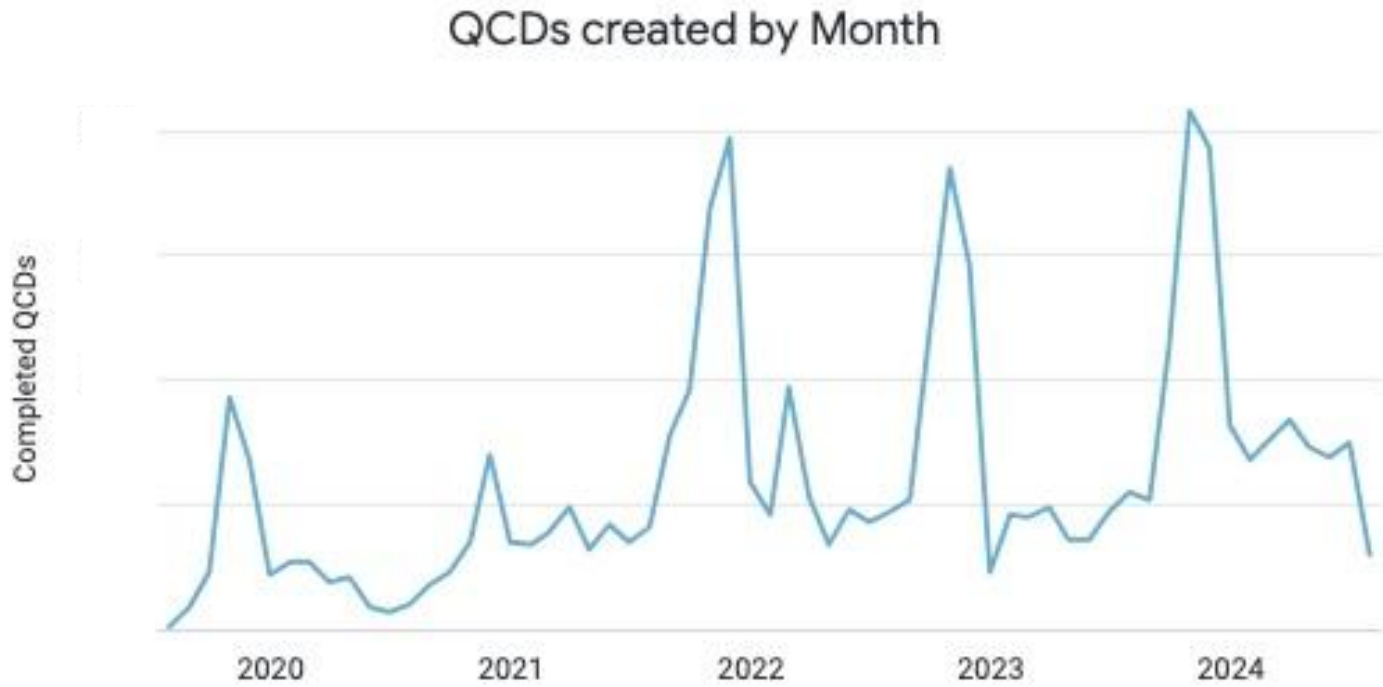
QCDs are the fastest growing gift type in the U.S.

10,000+ Baby Boomers turn 70.5 every day

This generation holds an estimated \$9T in their retirement accounts



# QCD giving is on the rise



## QCDs can easily become recurring annual gifts

For IRA holders age 73+ who have to take RMDs but don't need the extra funds to support their lifestyle, QCDs are the best way to give

And because this is an annual requirement, you have a unique opportunity to secure this gift year after year

**50%+**

of QCDs came from prior QCD donors for one-third of nonprofits



## QCD Giving with FreeWill video



For many donors age 70.5+, and especially those 73+, **QCDs are the best way to support your mission each year** — and armed with this knowledge, you can **help your nonprofit hit its goals faster** by promoting this tax-smart gift option.



# Donor-Advised Funds 101



# What even is a Donor Advised Fund (DAF)?

DAFs are, essentially, charitable savings accounts

They enable donors to set aside funds for future philanthropy, but get the tax benefit today

DAFs invest, grow, and grant assets to charities the donor recommends



# How does a DAF work?

A philanthropic person creates an account in their name with a “custodian” (typically a financial services firm like Fidelity or a local community foundation)

The donor contributes assets to their DAF – can be cash, stock, crypto, real estate, and more

Non-cash assets are liquidated

Money is invested while they wait to be distributed

Because the gift is irrevocable and earmarked for charity, the donor receives an immediate tax benefit in the form of an itemized tax deduction for income tax purposes



## DAFS 101

How do Donor Advised Funds work?





# How does a DAF work?

At any time, the donor may *recommend* a grant from the DAF to any qualifying charity

“Recommend”? Technically and legally, when a donor gives to a DAF account, those funds are fully in possession and control of the custodian

In practice, custodians send funds where a donor wants almost 100% of the time; otherwise no one would use DAFs

Money that isn't granted out stays in the account, is invested, and can grow

Funds remaining in the account at the end of the donor's life can either be endowed to charity or account privileges can be bestowed to another (like a child)



## DAFS 101

How do Donor Advised Funds work?



## Why do donors like DAFs?

*Versatility:* Can give when, what, how, and where is most favorable for them

*Philosophy:* Can contribute immediately, then build a philanthropic vision or strategy, research nonprofits, and donate when ready

*Convenience:* DAFs centralize and simplify giving and gift administration

*Growth:* Funds are invested to grow over time, making more charitable dollars available

*Control:* Donors can choose if and how they are acknowledged



## Why do donors like DAFs?

*Batching:* Donors can offset other taxable income by making a large gift to their DAF now (and deducting it from their taxes)

*Multigenerational philanthropy:* Can create a succession plan by bestowing account privileges upon others, like children, so charitable giving can continue after their lifetime

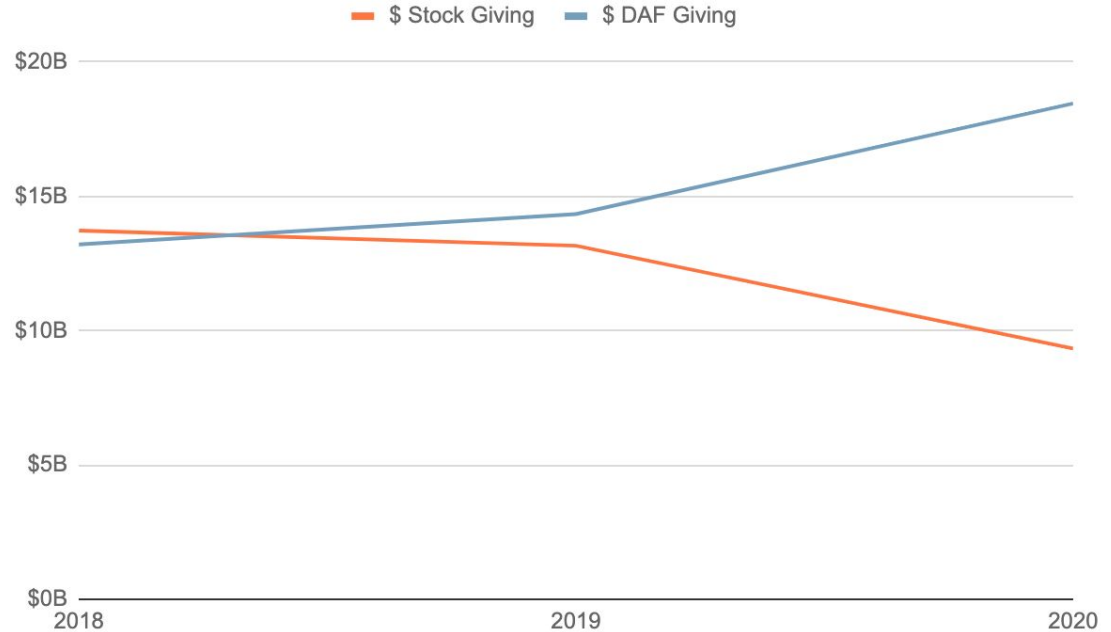
*Alternative to Foundations:* Have many of the benefits of a family foundation without the associated costs and administrative headaches

*Legacy:* Can help a donor create a charitable legacy



# Why do donors like DAFs?

Starting in 2018, DAF giving has increased as stock giving has decreased



## Trend: DAFs are taking over philanthropy in a big way

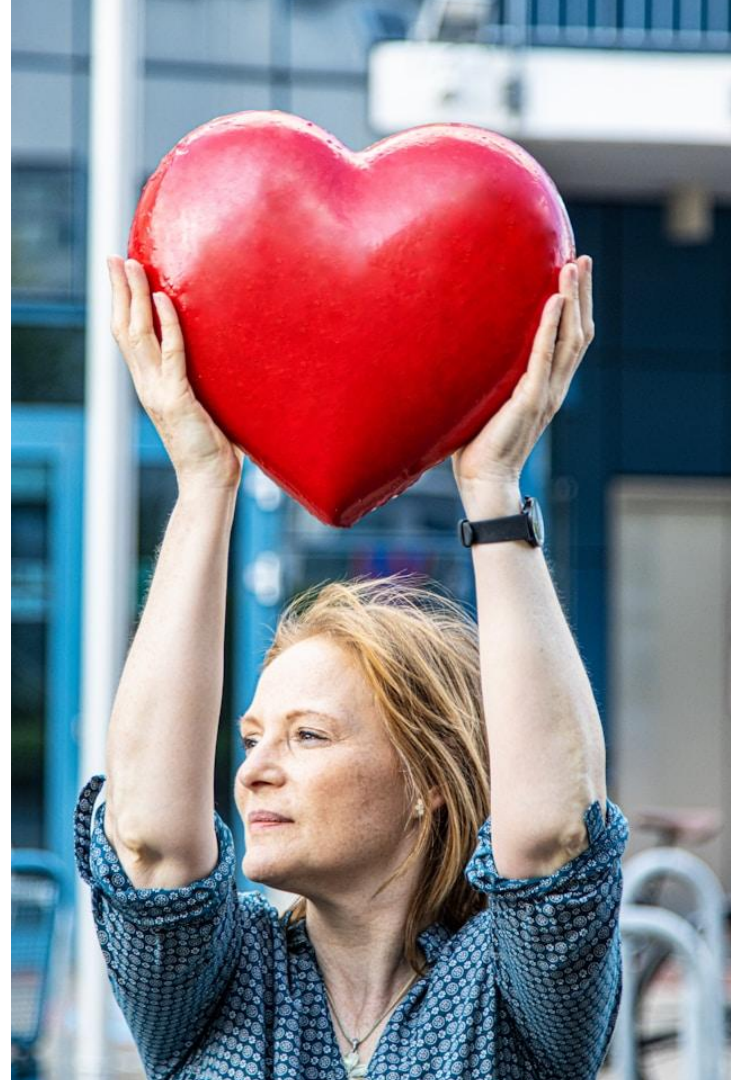
DAFs began in the 1930s, and began to grow in visibility and popularity in the 1990s

They were formally recognized in the Code in the Pension Protection Act of 2006

Today they are by far the fastest growing type of philanthropy in terms of overall dollars

The [NPT's 2023 DAF Report](#) showed dramatic growth in all four key metrics:

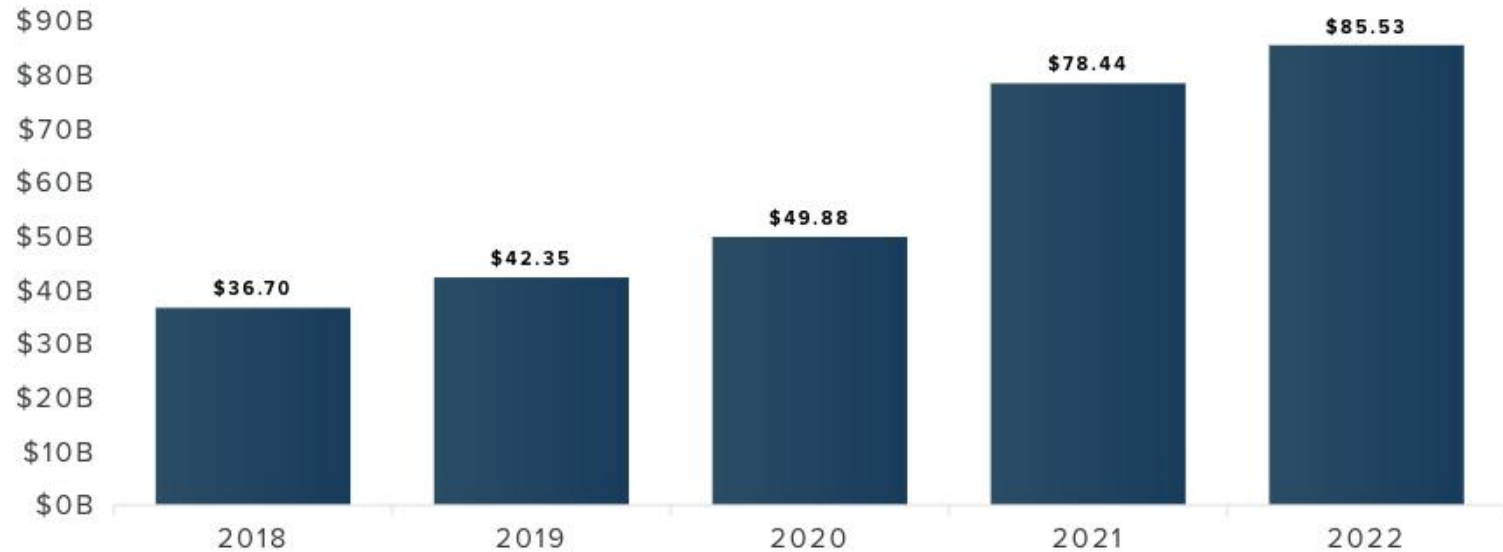
- How much money going in
- How much money coming out (to charities)
- How much money is still in DAF accounts
- Number of DAF accounts in existence





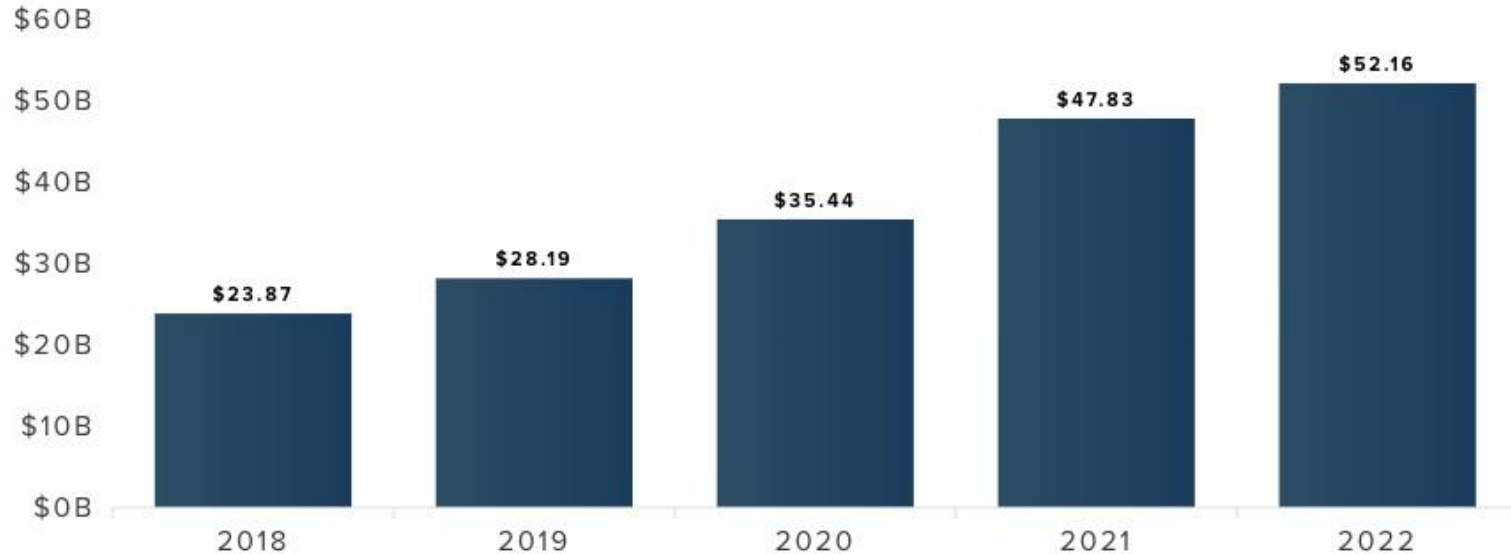
# How much money is flowing into DAFs?

FIGURE 2: TOTAL VALUE OF CONTRIBUTIONS TO DONOR-ADVISED FUNDS  
\$ IN BILLIONS



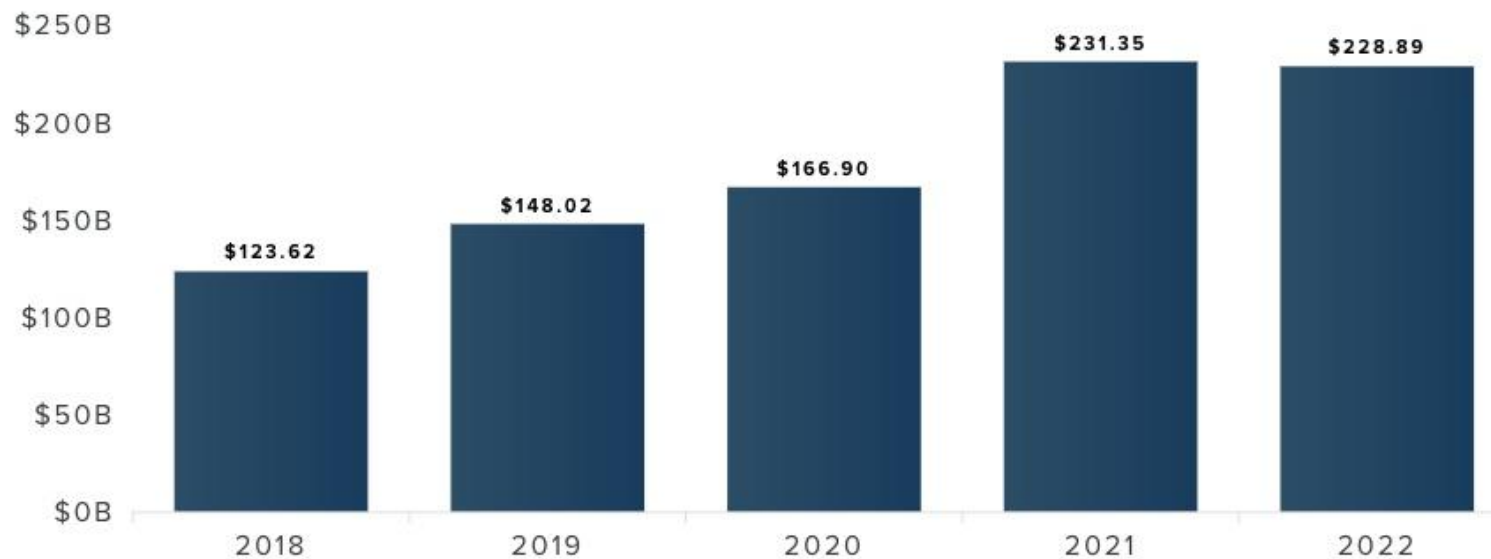
# How much money is flowing out to charity?

FIGURE 1: TOTAL VALUE OF GRANTS MADE BY DONOR-ADVISED FUNDS  
\$ IN BILLIONS



# How much is still sitting in DAF accounts?

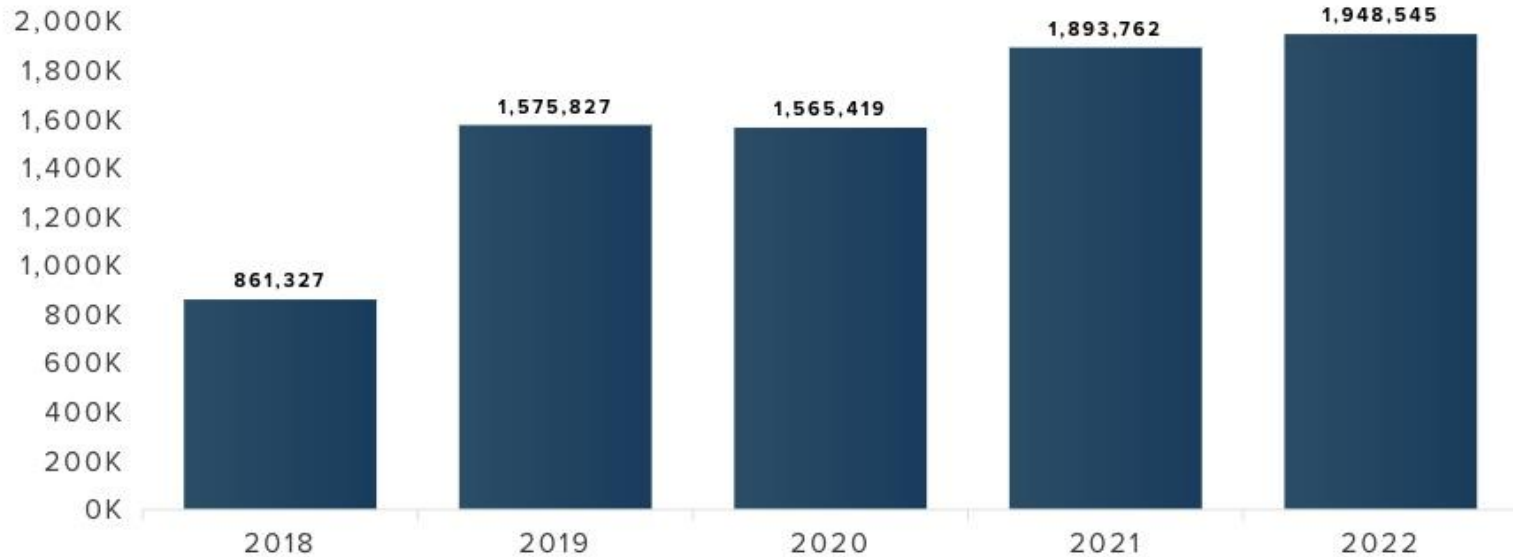
FIGURE 3: TOTAL ASSETS IN DONOR-ADVISED FUNDS  
\$ IN BILLIONS





# The number of DAF accounts is growing, too

FIGURE 4: TOTAL NUMBER OF DAF ACCOUNTS



## Three types of DAFs: National DAFs

These tend to be the largest, and are often associated with a financial institution like Fidelity Charitable, Schwab Charitable, Vanguard Charitable, or the Goldman Sachs Giving Fund

Often opened with the help of a financial advisor

When people think of DAFs, this is what they think of



## Three types of DAFs: Community foundations

Second largest category of DAFs, and the oldest

Includes custodians like the Silicon Valley Community Foundation, Community Foundation of Greater Memphis, or Columbus Community Foundation

Help donors focus their giving locally

Typically less automated and may have high minimums



## Three types of DAFs: Single-issue DAFs

A tax-exempt organization that works in a specific topic area

Can include universities, Jewish federations, other faith-based charities and issue-specific charities, like those in environmental, social justice, or international relief

Note these are different from a university or an environmental charity – in fact, some very large charities (like Harvard or Notre Dame) operate their own DAFs, but this is rare





## Three types of DAFs: Comparisons

National DAFs have the most assets (\$153B), compared to Community Foundations (\$54.4B) and single-issue DAFs (\$21.7B)

National DAFs are growing the fastest in terms of number of accounts, while the others are staying flat

Community Foundations have the largest average account (\$547K), compared to single-issue (\$281K) and national DAFs (\$86K)

Way more people have accounts at national DAFs (1.77M), compared to Community Foundations (99.5K) and single-issue DAFs (77K)



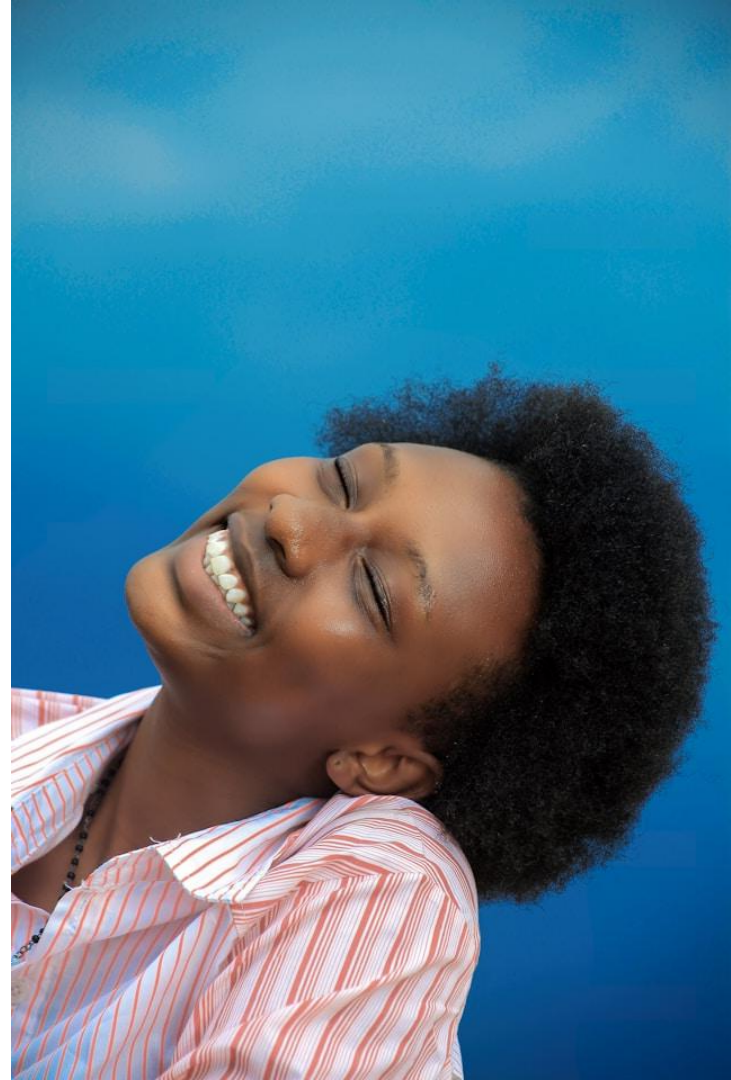
## Why donors like DAFs: Immediate tax savings

Immediate tax benefit when donating to their DAF

Can parse out grants to charity over time

Good for those who want/need an large tax break in the current year, e.g. someone experiencing a windfall, who wants tax breaks today but isn't ready to donate to a particular charity now

Note: Private family foundations have many of the same tax benefits, but are more cumbersome to set up and administer



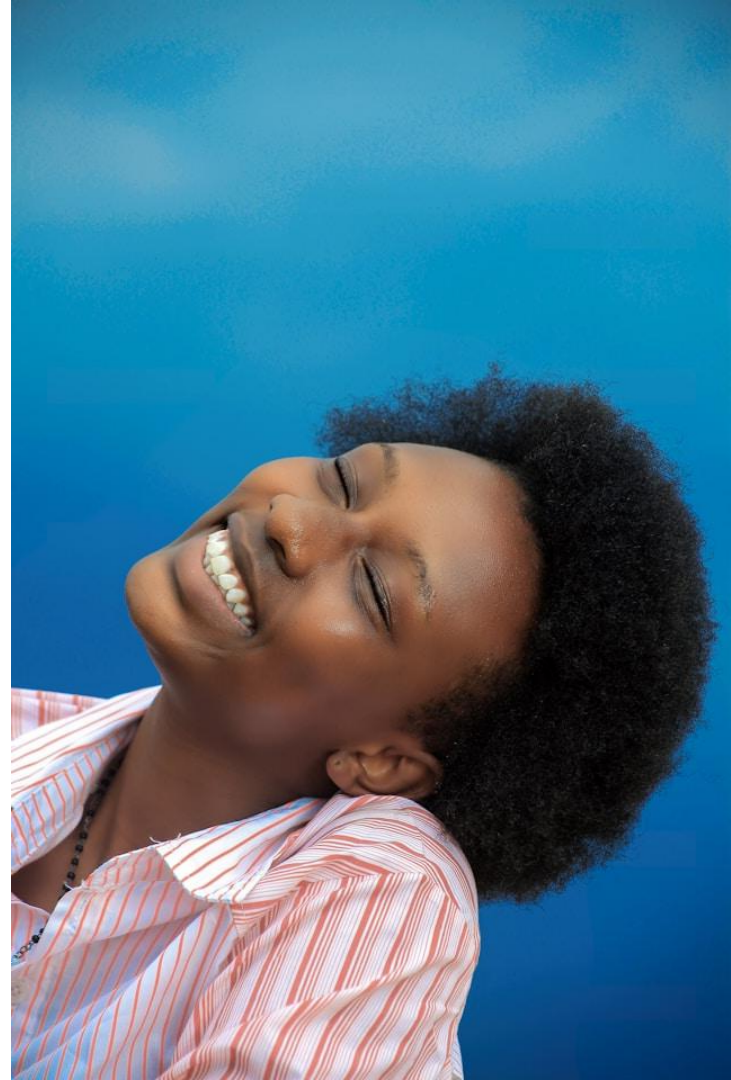
## Why donors like DAFs: Donate over time

No minimum distribution requirement each year

→ Legislation may change that at some point

Donors have a pot of money they can grant when they choose – all at once, over many years, or even over decades

This allows time to research charities and create a philanthropic plan before giving

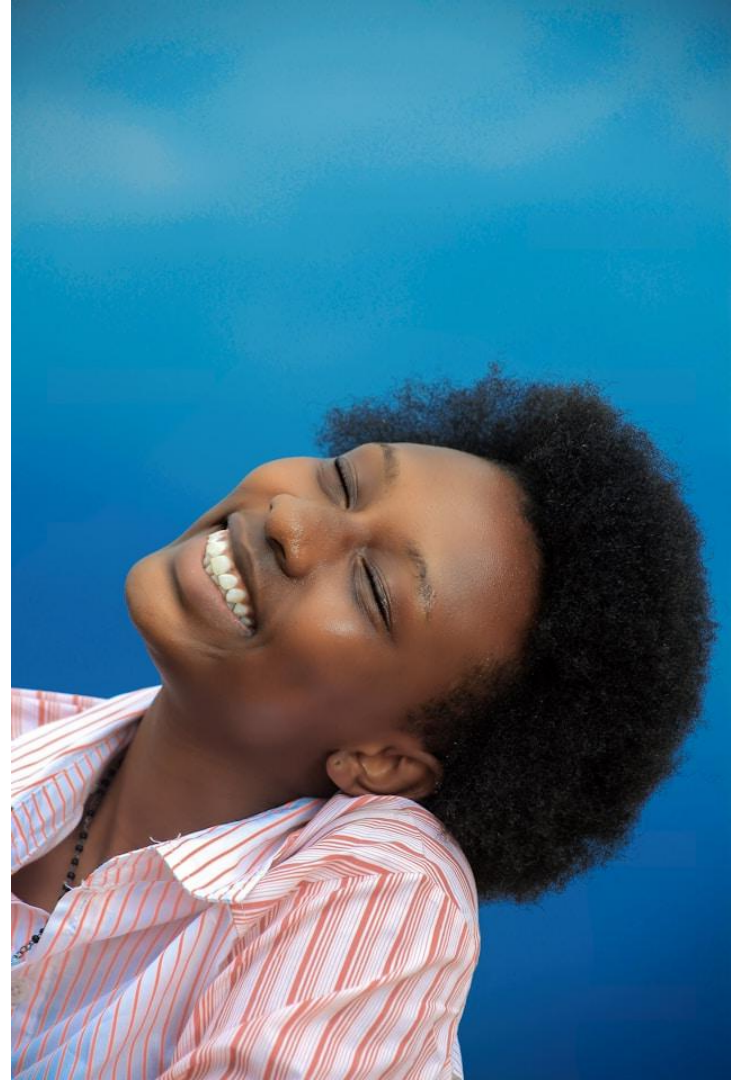


## Why donors like DAFs: Easy to donate non-cash assets

Nearly  $\frac{2}{3}$  of the value going into DAFs is non-cash assets like stocks (public and private), crypto, mutual funds, real estate, or personal property

DAFs are better than public charities at accepting non-cash assets

Financial advisors often help people set up and then fund their DAFs – and since those firms tend to control the assets, but not the cash, assets are more likely to be donated





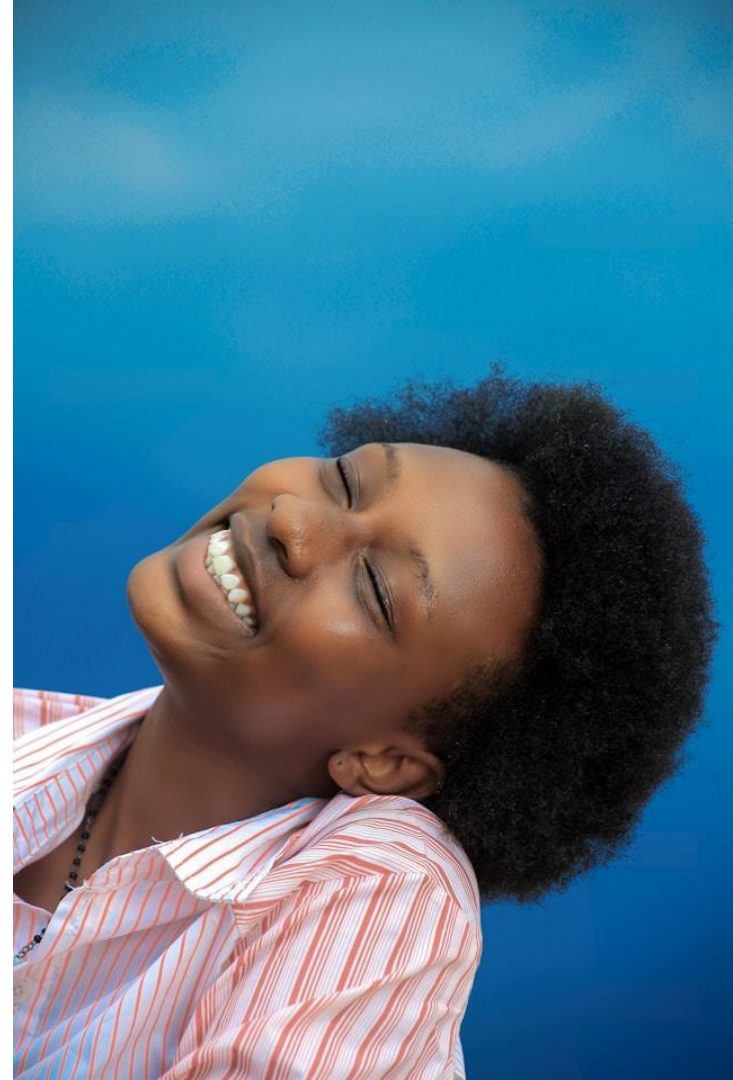
## How nonprofits feel about DAFs: What they love

If someone has a DAF, it's a clear sign they have both wealth and charitable intent

There's some belief that DAFs increase overall giving

DAF gifts are often larger than cash gifts

DAF grants to nonprofits tend to be less impacted by economic downturns, so they can be a lifesaver during a recession



## How nonprofits feel about DAFs: What they don't like

Many DAF grants are anonymous (sometimes unintentionally so)

The ones that do come with names attached often don't share email addresses, so nonprofits struggle to contact donors

It's hard to know which of your donors has a DAF (no national database)

These gifts often arrive by check in the mail

Checks are sometimes not even clear that they're from a DAF, as opposed to being a QCD



## How nonprofits feel about DAFs: What they hate

Some nonprofits worry that funds risk sitting in DAFs forever and never actually getting to charity

- Sometimes derided as “zombie philanthropy” and “tax avoidance”

Some fundraisers feel this money should be directed immediately to charities, and that money sent to DAFs cannibalizes normal charitable giving



DAFs are coming into their own. By several measures, **DAFs have caught up with private foundations** – and stand poised to overtake them very soon.



# Cryptocurrency gifts 101



# Start at the beginning

Before we get tied up in terms like Bitcoin, Ethereum, or DogeCoin, let's start with three fundamentals:

- **Blockchains**
- **Cryptocurrencies**
- **Wallets**





# Blockchains

Blockchain is another way of storing data – typically transactional data

- The most-used case is crypto transactions

Each block represents a series of transactions; when combined/chained, they show a list of all transactions ever

- E.g. All Bitcoin transactions have a single log – nothing is left out (the *blocks* are *chained*)

Unlike banks, blockchain is decentralized and distributed – meaning everyone can easily access a copy and participate

Everyone knows everything, nothing is left out, and we don't have to trust any one company or entity to keep things secure and accurate



# Cryptocurrency

Crypto is digital currency existing on the blockchain

Traded between users (mostly) for goods and services

Examples include Bitcoin, Ethereum, and Dogecoin

If Lauren sends Kyle 5 Bitcoin, that transaction is logged on the blockchain

The IRS defines crypto as “virtual currency” (we’ll come back to that)

*Note: Almost anything can be logged on the blockchain - this is how NFTs are traded, as well*





# Wallets

Less like a physical wallet; more like the keys to your car

- You don't hold the crypto yourself – it's stored on the blockchain
- Your wallet contains keys that prove ownership – it's the authentication that "I own that"

So:

- Blockchain records everything
- Crypto is what's traded
- Wallet is proof of ownership



# Mining

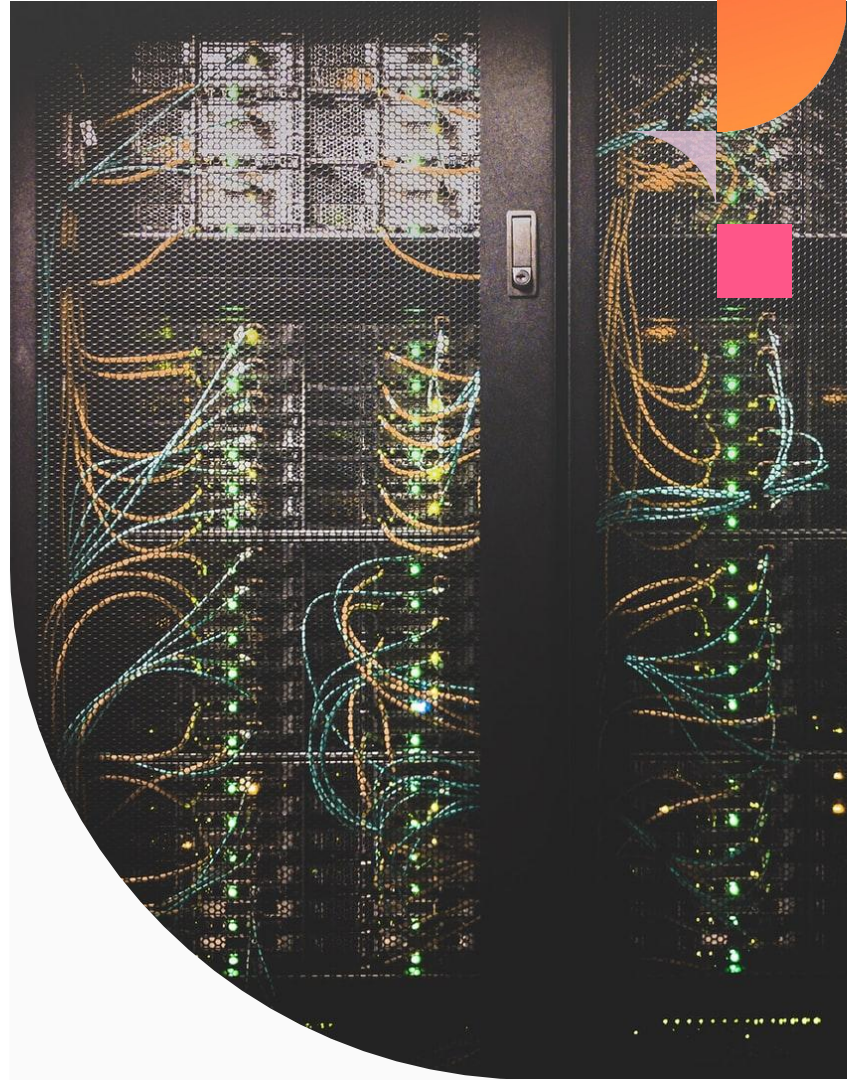
Crypto works without a central authority

There needs to be a way of confirming records and forming a consensus before transactions are added to the blockchain

That's where **mining** comes in

There are two main ways to verify a transaction:

- Proof of work ("**mining**")
- Proof of stake ("**staking**")
- *There are other less common forms but you won't need to know them!*





## Proof of work (“mining”)

Requires a large amount of computing power to solve a mathematical problem

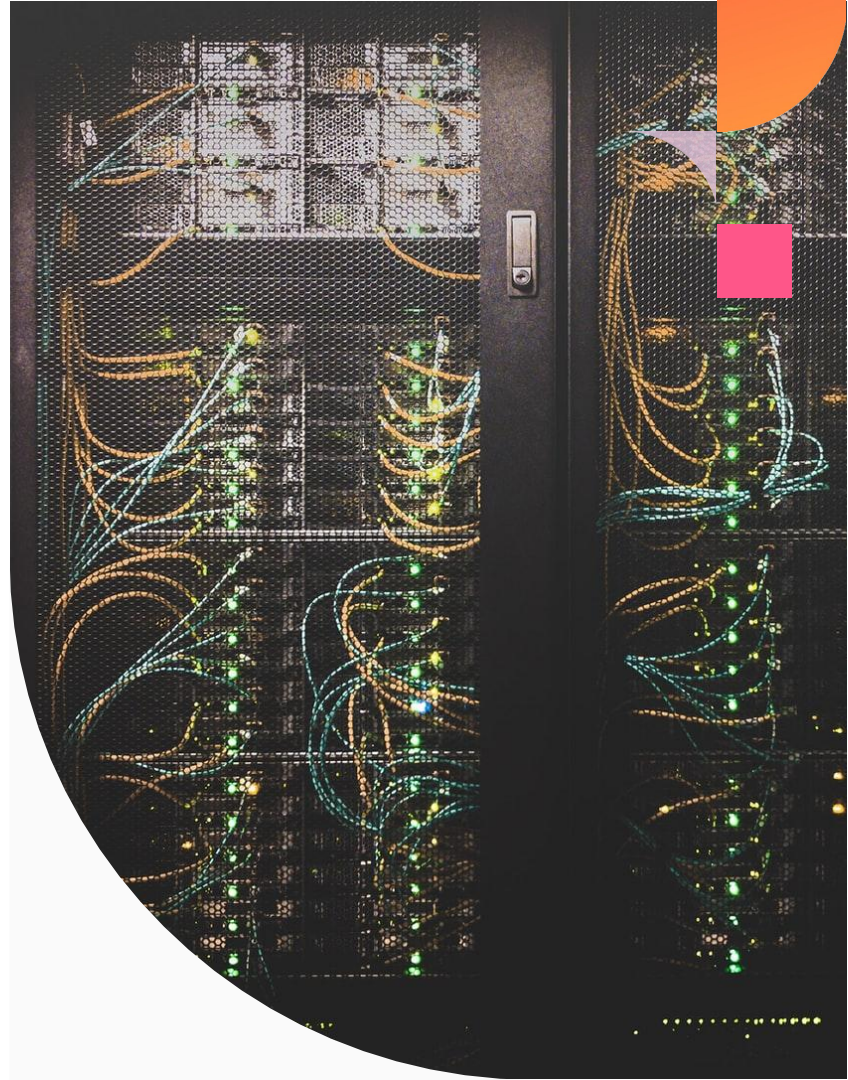
If you're first, and other miners agree with your answer, that block of transactions is added to the chain

The successful miner is then rewarded with crypto

Bitcoin and Ethereum are the most well-known crypto using PoW

As energy costs rise, miners look for cheaper sources of fuel – and renewable/greener energy is playing a part

- 58% of global Bitcoin mining used renewable energy in Q4 2021 ([source](#))



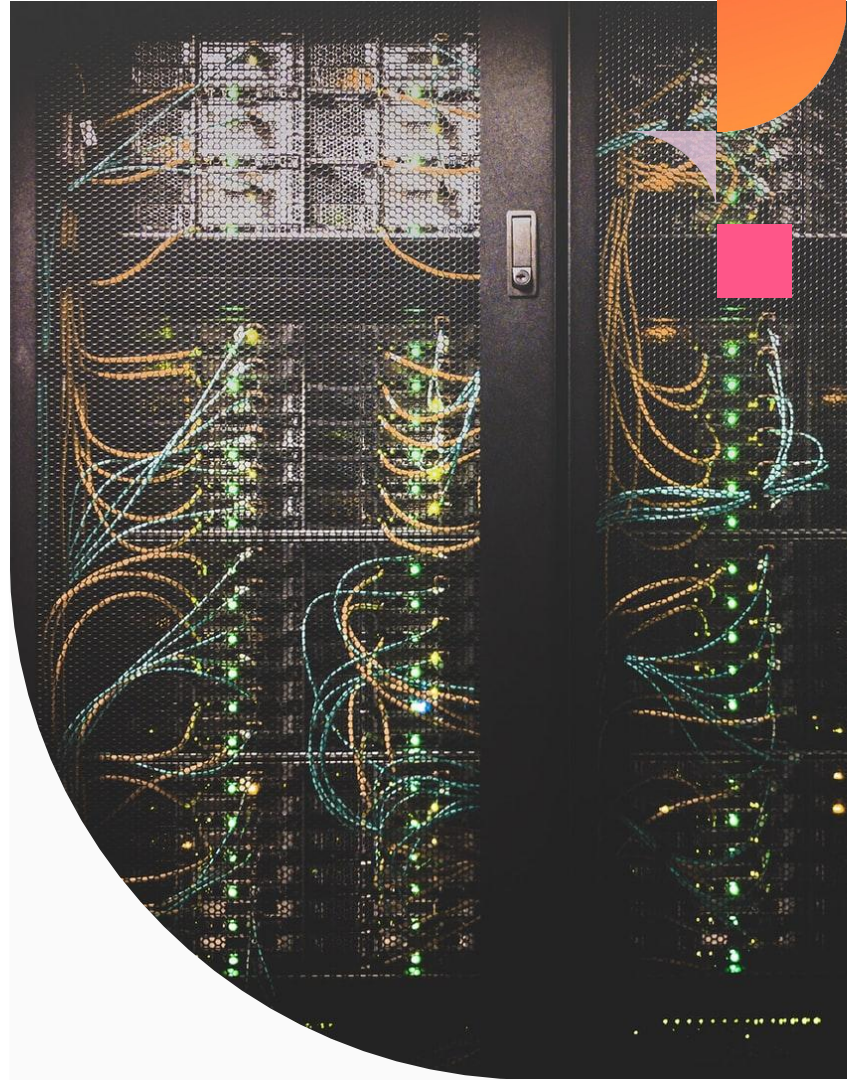
## Proof of stake (“staking”)

You can put-up a stake or ‘lock in’ a certain number of coins to vote (e.g., 32 ETH or ~\$60K for Ethereum)

If you have a lot of money tied up, it’s more likely you’ll care about the integrity of the ledger

Those who have staked can become ‘validators’ – essentially they approve or deny the new blocks/transactions

Ethereum moved to PoS in 2022 and crypto like Cardano and Tezos are built around the efficient model





# How crypto is exchanged

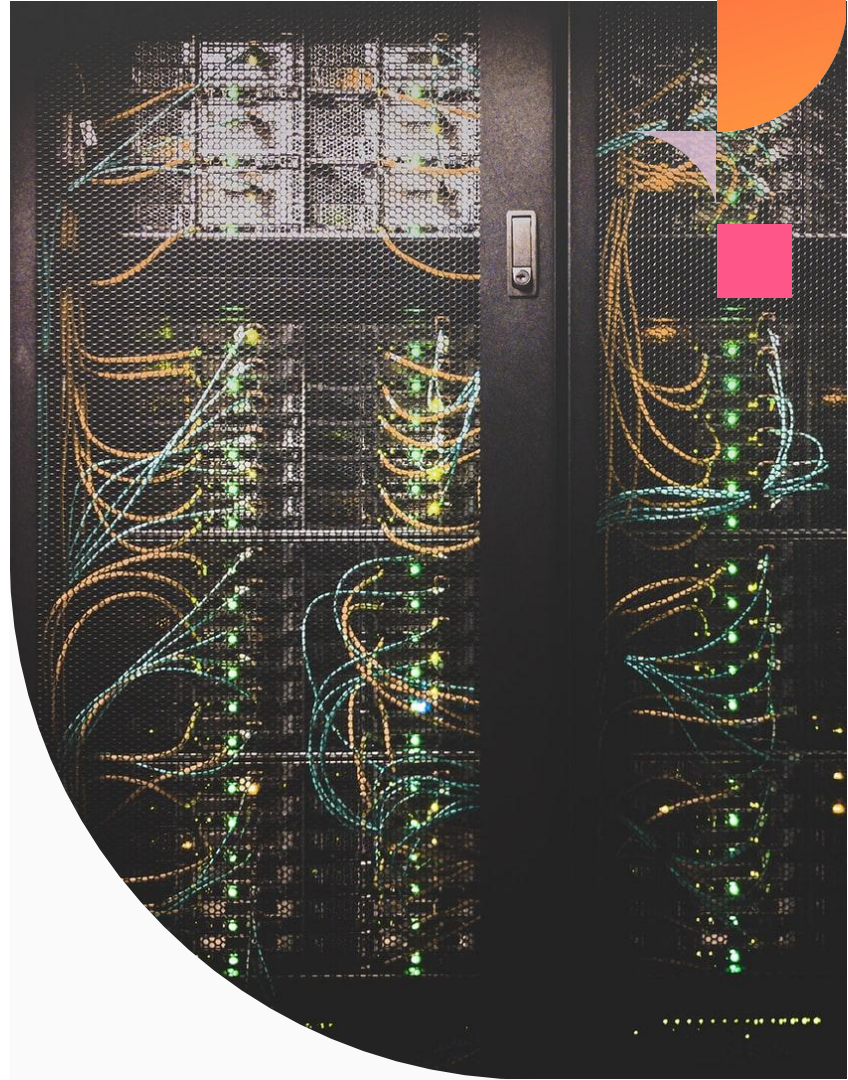
Crypto is designed as a direct payment form, removing the need for intermediaries like banks

- David can send 1 Bitcoin directly to Sara

Most commonly, crypto is traded on exchanges like Coinbase or Kraken, where you can buy and sell crypto 24/7

For donations, a donor will send their crypto to a nonprofit wallet – just like they would a direct deposit/ACH payment

**coinbase**  **kraken**



# NFTs or non-fungible tokens

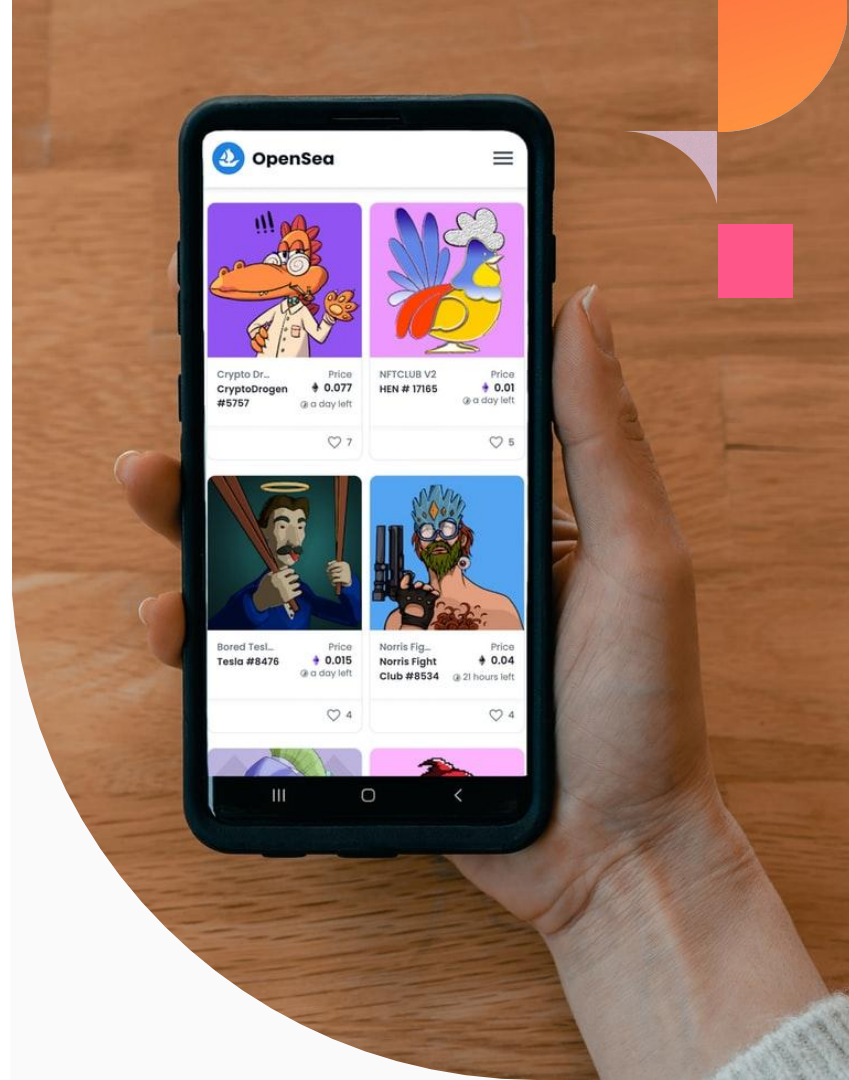
Fungible = replaceable by another identical item;  
mutually interchangeable

- \$1 is no different to \$1
- 1 Bitcoin is the same as 1 Bitcoin

Non-fungible = unique; not replaceable by  
anything else; not mutually interchangeable

- The Louvre might be upset if you tried  
swapping their Mona Lisa for another!

NFT = anything digital (drawings, music, social  
posts, memes, gifs, etc.) but especially digital art  
that is bought, sold, or donated on blockchain



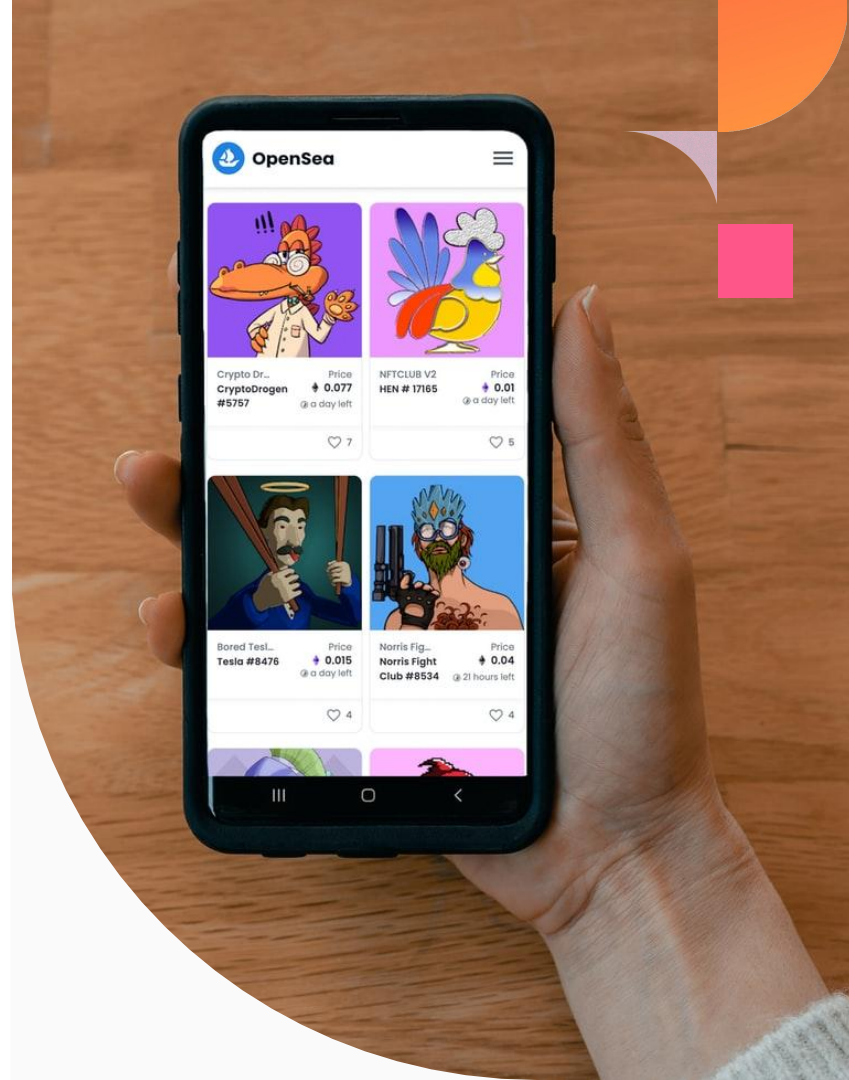
# NFTs or non-fungible tokens

NFTs are an emerging form of philanthropy

Ownership, art, and scarcity all combine to give NFTs their value, and that's good for nonprofits!

In late 2021/early 2022, UNICEF released a series of 1,000 NFTs to celebrate their 75th anniversary

They raised 235 Etherium or the equivalent of \$440,000 (using today's conversion) ([news source](#)) ([UNICEF press release](#))



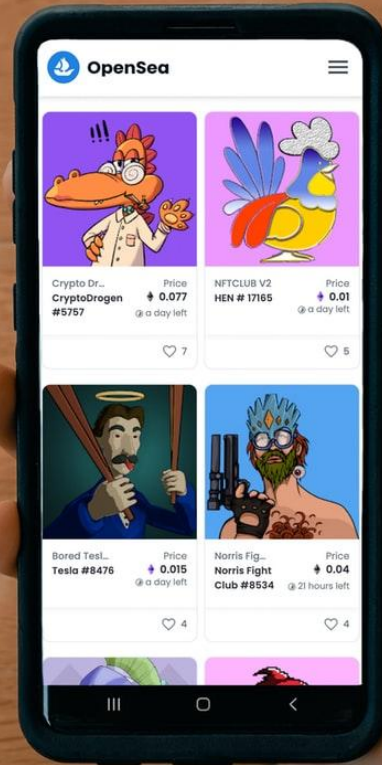
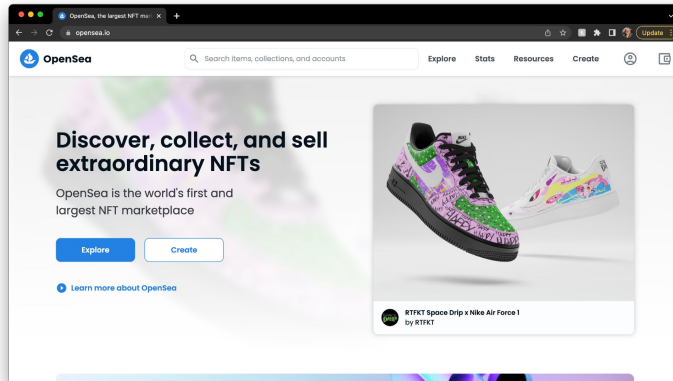


# NFTs or non-fungible tokens

NFTs are typically bought and sold on a marketplace like OpenSea.io

Artists can contribute a percentage of the initial sale and future sales

For example, your nonprofit may get 5% of the proceeds every time a piece is sold forever



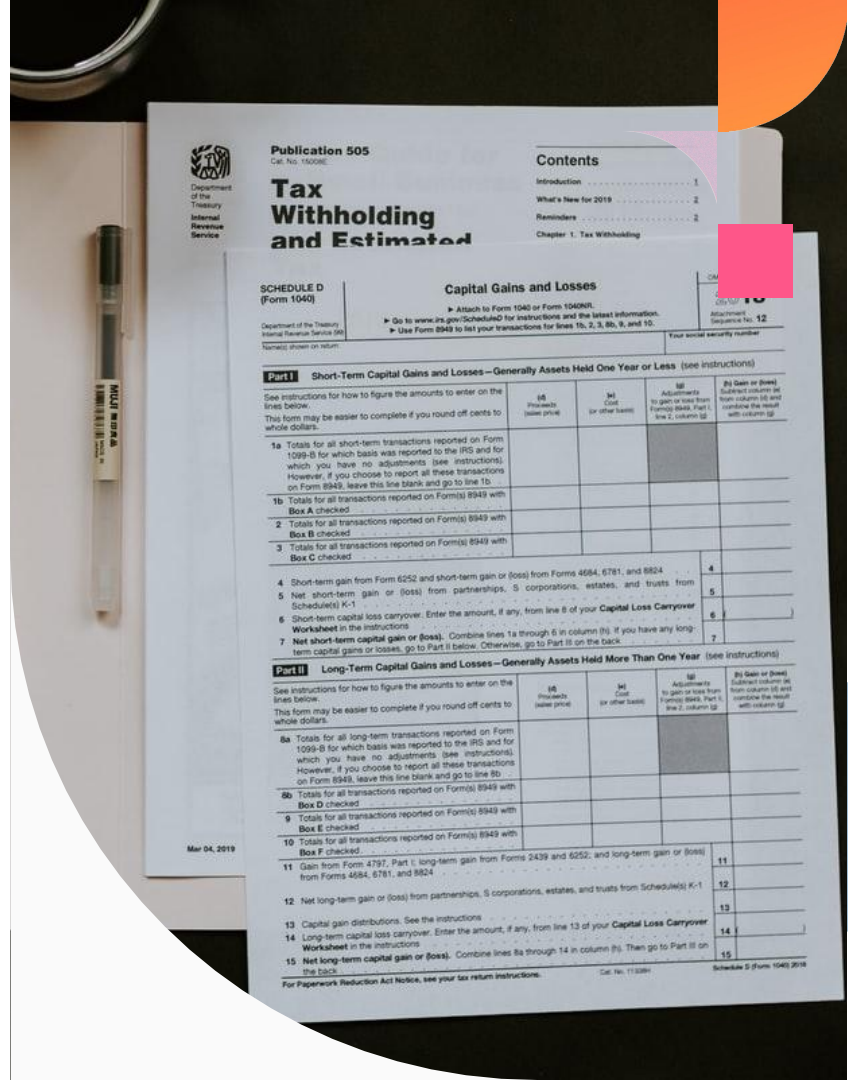


# Let's talk tax: IRS Virtual Currency

- Virtual Currency = Crypto
- Virtual Currency = Property (important!)
- [Handy IRS Explainer](#)

*“Virtual currency is treated as property, and general tax principles applicable to property transactions apply to transactions using virtual currency”*

*“When you sell virtual currency, you must recognize any capital gain or loss on the sale, subject to any limitations on the deductibility of capital losses”*



# Why crypto donors give

Three main reasons have emerged from our user research:

1. Altruism
2. Tax minimization
3. Commitments in NFTs (they promised to give a % of the sale to nonprofits)

A common theme: Donors, regardless of gift size, rarely want a long-term relationship with the nonprofit – e.g. they won't reply to emails or calls



# Giving to minimize tax

Crypto holders may be responsible for capital gains

Don't let recent market swings deter you – crypto has grown in value (see the 2018→2022 graphs)

Donor:

- Avoid capital gains taxes
- Deduct the full value of the gift
- If they choose to repurchase the crypto, they can reset their cost basis

Nonprofit:

- Enjoy the full value of the crypto donation



## Tips to engage donors

Keep an eye out for NFT projects that align with your mission – for example, [Happy Campers NFTs](#) are giving back to outdoor nonprofits

Reach out to artists in your network about NFTs

Contact your major donors and those who work in finance or technology and ask about crypto

Talk to your internal teams as well, especially younger staff and those in tech/IT

Use Twitter (or niche communication channels like Reddit or Discord) to promote crypto giving and appeal to younger donors



## TO EXPLORE:

# Resources

### Stock gifts

- [How to accept stock donations: What nonprofits need to know](#)
- [Patrick's stock explainer video](#)

### QCDs

- [for nonprofits] [QCDs: What nonprofits need to know](#)
- [for donors] [How the SECURE 2.0 Act may impact you in 2024](#)

### DAFs

- [Everything your nonprofit needs to know about DAFs](#)
- [Webinar: 7 steps to find, solicit, and secure more DAF gifts](#)
- [NPT's 2023 DAF Report](#)

### Crypto gifts

- [Cryptocurrency 101: What nonprofits need to know about fundraising these gifts](#)
- [Webinar: The rise of crypto and NFT philanthropy, and how to harness it](#)

### Other

- [FreeWill's industry reports](#)
- [FreeWill's animated explainer videos](#)



LOOKING AHEAD:

## Next steps

1. Fill out our [post-training survey](#)
2. Download this slide deck for your reference
3. Continue learning!



# Thank you!

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