

2023 FreeWill Donor-Advised Fund Report

A look at the most important trend facing
philanthropy, from the nonprofit perspective

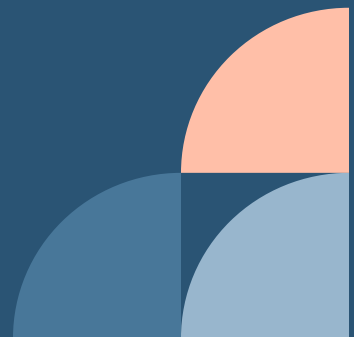
FREEWILL 

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01.

Introduction



Introduction

Hello friends!

As we dive into 2023, let's collectively take a moment to marvel at the astonishingly explosive growth of Donor-Advised Fund (DAF) giving. In just a few years, the growth of this type of giving has upended modern philanthropy, shifting donor behavior and leaving nonprofit fundraising teams scrambling to adapt.

This report – the first of its kind – is designed to build on the excellent reporting done annually by the National Philanthropic Trust, and to better understand how this trend is being viewed and addressed by our friends in the nonprofit sector.

Though not fully comprehensive, this report is also the first look at data from 2022, and shows yet another year of strong and compounding growth across sectors and organization sizes.

As we reviewed the results, here are a few things that stood out to us:

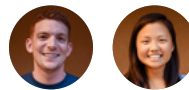
- Survey respondents reported an average of 32% more DAF grants and 56% more grant dollars compared to 2021.
- Organizations that are actively soliciting DAF grants raise 2.2 times more than those that don't, yet most organizations (54%) still do not work to generate more of these gifts.

- While DAFs are frequently the target of negative news coverage, we were surprised to see that favorability ratings for so-called “National DAFs” were quite high and comparable to that of Community Foundations.

We also explored the primary challenges that nonprofits face, how they see DAF giving playing out in a time of economic uncertainty, and where DAF giving falls in their internal prioritization this year.

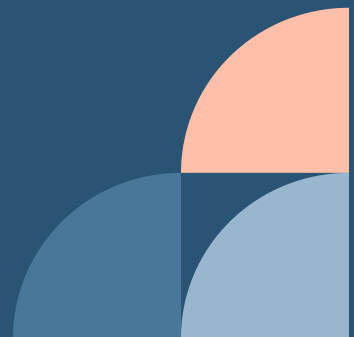
We hope these insights prove valuable to you, and we look forward to following up with more data in future years.

Thank you for reading,
Patrick Schmitt & Jenny Xia Spradling,
FreeWill Co-CEOs



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Summary of key findings



Summary of key findings

- 1. DAF giving significantly increased over the past several years.** Surveyed organizations that received four or more DAF gifts in 2021 received 32% more DAF gifts in 2022 and 56% more DAF dollars. For these recipients, the average gift size increased by 24%.
- 2. Organizations that solicited DAFs received more donations and far more dollars in 2022 than those that didn't.** Those that actively promoted DAFs to their donor base received **2.2 times more DAF dollars** than the organizations that didn't.
- 3. DAFs are more important to nonprofit professionals than ever before.** 72% of respondents said that compared to previous years, DAFs will be more important to their organizations in 2023. And 54% of respondents think soliciting DAFs will be more important during an economic downturn.
- 4. Despite understanding the importance of DAFs, most organizations struggle to promote them to their donors.** 54% of those surveyed currently don't promote DAFs to their donor base. Smaller organizations (less than \$100,000 in yearly donations) are the least likely organization size to solicit DAFs.
- 5. The opinion of DAFs among fundraisers is generally favorable.** Despite some frustrations and pain points, most survey respondents feel the benefit of DAFs as a giving vehicle outweigh the negatives. 84% of respondents had a favorable opinion of both National DAFs and Community Foundations. 34% had a very favorable view of both. Overall, Community Foundations were slightly more favored.



[DAFs are] a new tax incentive [for donors], and we should all be positioning our organizations to reap the rewards as this record-breaking transfer of wealth occurs.

Director of Development at an animal nonprofit



- 6. Despite their value, there are several challenges around DAF giving that hinder fundraising efforts.** 42% of those surveyed said knowing how to ask for DAF donations is their biggest hurdle. 25% also struggle with anonymous donations, having to spend time and resources tracking down donor information so they can properly thank and steward them. Still others cite limitations with their organization's own donation management systems that make it difficult to count and track DAF gifts.

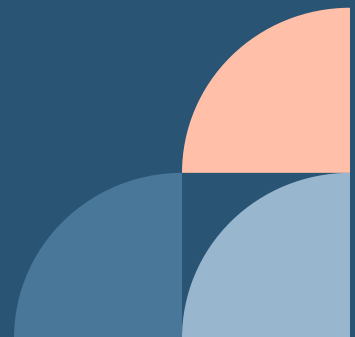
FreeWill can help

Understanding how to talk to your donors about DAFs and proactively asking for these gifts is the best way to set your organization up for success this year. FreeWill provides your supporters with an intuitive and effortless way to make DAF grants, while providing your organization with full visibility into donor and gift details. Learn more about how to unlock generosity through DAFs and other non-cash vehicles with FreeWill's [Smart Giving Suite](#).

Get in touch with our team at nonprofits.freewill.com

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Overview: The state of DAFs in 2023



56%

more DAF dollars were received
by surveyed organizations in
2022 compared to 2021

Overall, surveyed organizations received more DAF gifts and more dollars in 2022 than they did in 2021.

Organizations that received four or more DAF gifts in 2021 received **32% more DAF gifts** in 2022 than they did the year before.

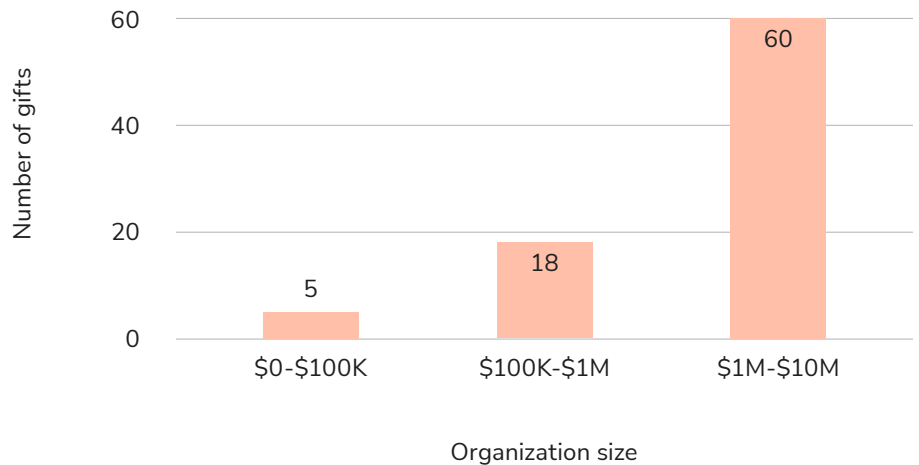
Surveyed organizations received **56% more dollars** from DAF grants in 2022 than they did in 2021. For these recipients, the average gift size increased by 24% — so not only are donors making more grants than they did the year before, but the average size of each grant is bigger.



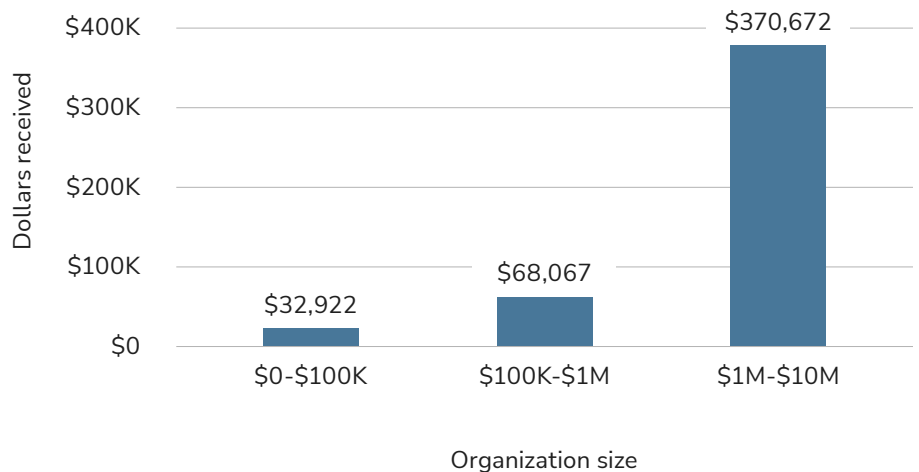
DAF gifts by organization size

Organizations of all sizes saw increases in the percent of DAF dollars they received in 2022 compared to the year prior. On average, larger organizations received more DAF grants and more dollars in 2022 than smaller organizations.

AVERAGE NUMBER OF DAF GIFTS RECEIVED BY A NONPROFIT IN 2022, BY ORGANIZATION SIZE

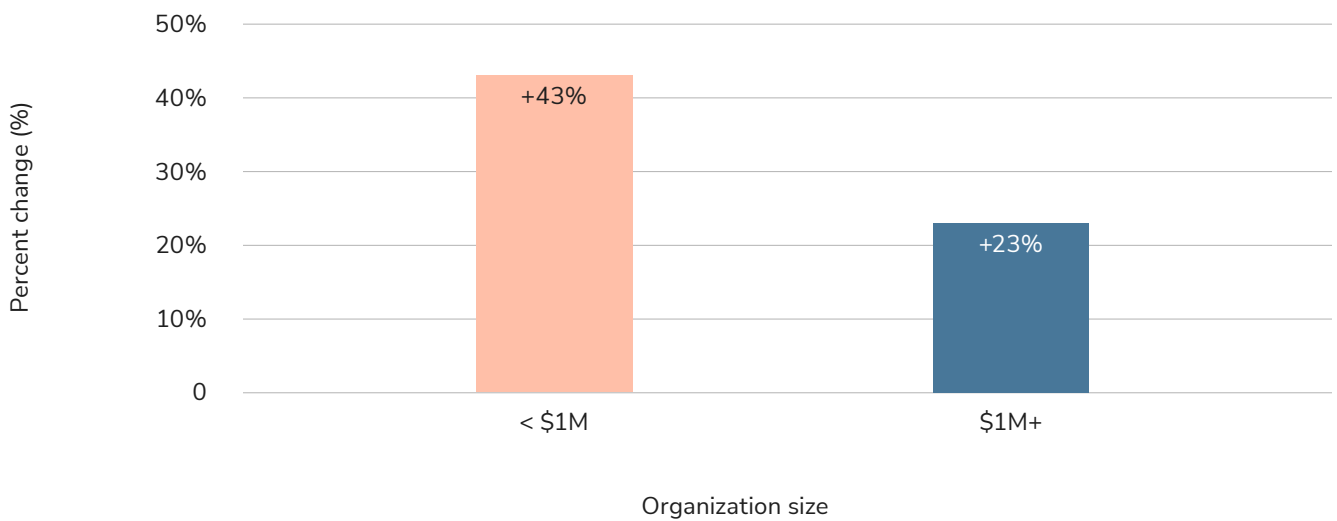


AVERAGE TOTAL DAF DOLLARS RECEIVED IN 2022, BY ORGANIZATION SIZE



However, smaller organizations (less than \$1 million in annual individual contributions) saw a higher rate of growth in DAF dollars from 2021 to 2022 (43%) than larger organizations (23%) – so DAFs still represent plenty of opportunity for smaller nonprofits.

PERCENT CHANGE IN DAF DOLLARS RECEIVED, FROM 2021 TO 2022

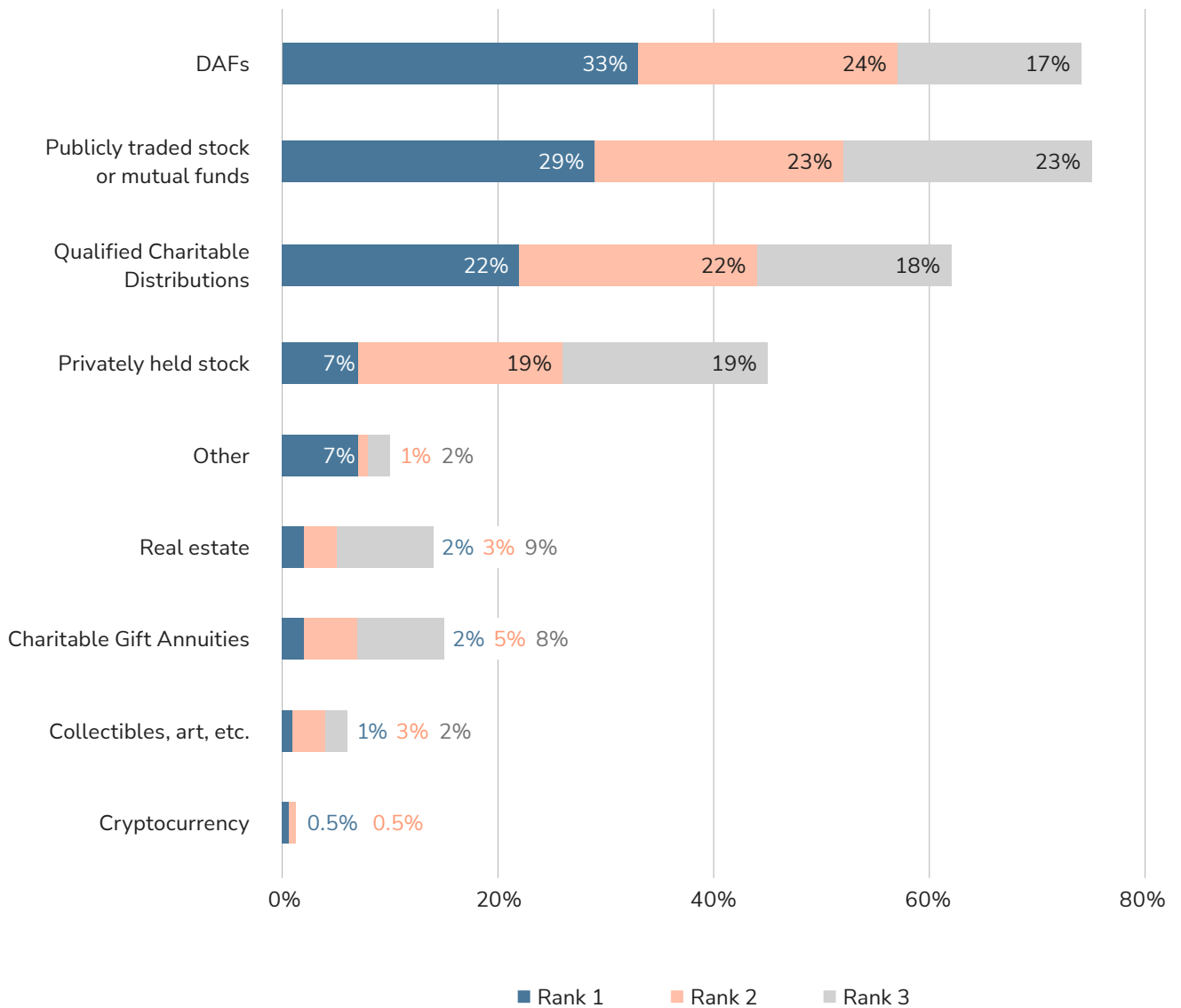


How to read the graph

An organization that receives less than \$1 million in individual contributions each year received an average of 43% more DAF dollars in 2022 than they did the year prior.

Additionally, survey respondents indicated that DAF grants are one of the most common non-cash gift types their organizations receive. 74% of respondents said DAFs were in the top 3 giving types their organizations receive, and 33% ranked it as the most commonly gifted asset.

TOP 3 NON-CASH GIVING TYPES MOST COMMONLY GIVEN TO NONPROFITS



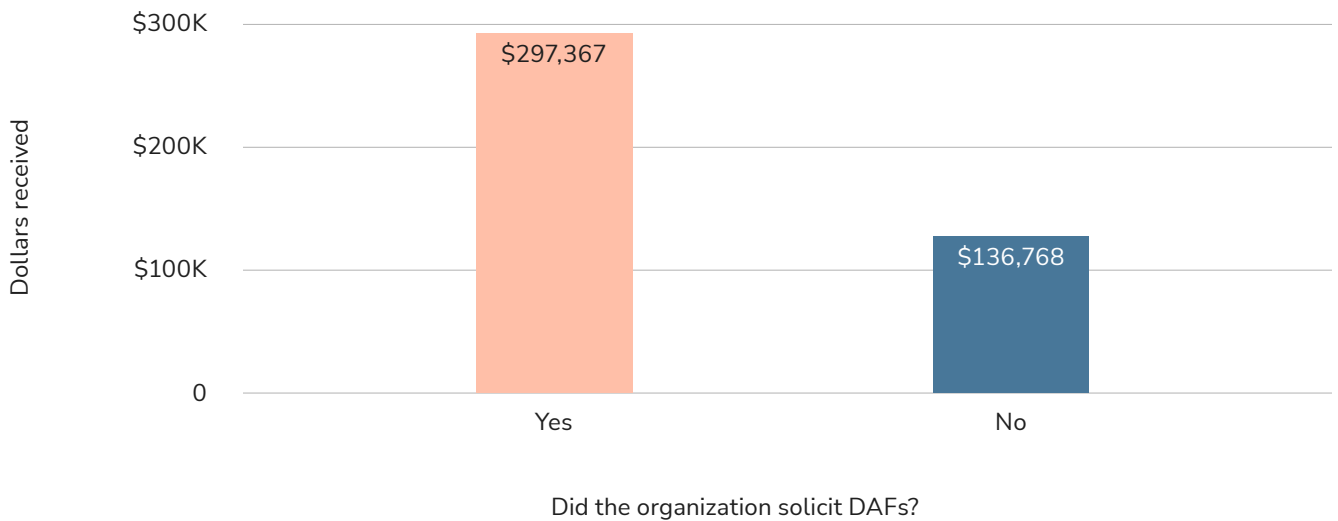
DAF promotion vs. non-promotion

Despite 72% of survey respondents saying DAFs would be more important to their organizations in 2023 than in previous years, more than half (54%) currently don't solicit DAFs from their donor base.

This failure to promote has major impacts. Of the respondents who said their organization didn't receive a DAF gift in 2022, **4 in 5 didn't solicit or promote DAFs to their donor base.**

And of organizations that did receive DAF gifts, **those who actively promoted DAFs to their donor base received more than 2.2 times more DAF dollars than the organizations that didn't.**

AVERAGE TOTAL DAF DOLLARS RECEIVED IN 2022, BY ORGANIZATION



2.2x

more DAF dollars were received by organizations that actively promoted DAFs to their donor base

When looking at yearly growth, we see that all organizations on average received more DAF dollars. However, **organizations that received and solicited DAF gifts captured more DAF dollars than those that received and did not solicit.** Survey respondents that solicited DAF gifts received 70% more DAF dollars in 2022 vs. 2021, and those that didn't only received 39% more dollars.

The group that solicited DAF dollars grew DAF donations 31% faster than those that did not solicit. **If you're not asking your donors for DAF gifts, your organization is falling behind!**



Donors have taken advantage of this tool on their own. We've educated ourselves on how to manage them. If donors find them advantageous, we should embrace them.

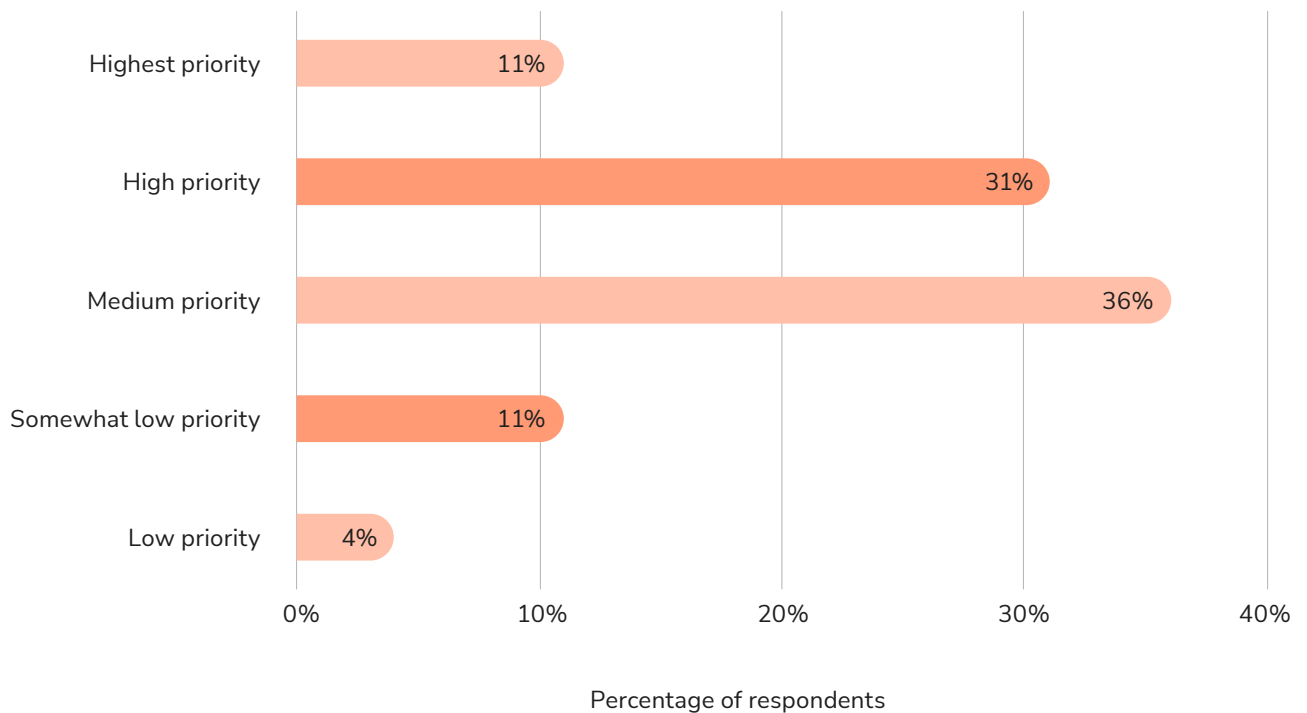
Managing Director for an Arts, Culture & Humanities nonprofit

How nonprofits are prioritizing DAFs in 2023

72% of respondents said that DAFs will be more important to their organizations in 2023 compared to previous years. And 54% of respondents think soliciting DAFs will be more important during an economic downturn.

Along these lines, 42% of respondents said soliciting more DAF gifts is a high priority in 2023. Of the 15% of respondents who said it was a low priority, 70% don't currently solicit DAF gifts at all.

WHERE DO SOLICITING DAFS RANK AMONG YOUR FUNDRAISING PRIORITIES IN 2023?



Favorability among nonprofit professionals

Overall, the majority of respondents view DAFs in a positive light. 43% of survey respondents don't think DAFs cannibalize giving to other public charities, compared to 20% who believe they do. And 67% of respondents think that DAFs widen the field for larger non-cash gifts (like stock and crypto), compared to just 4% of respondents who don't.

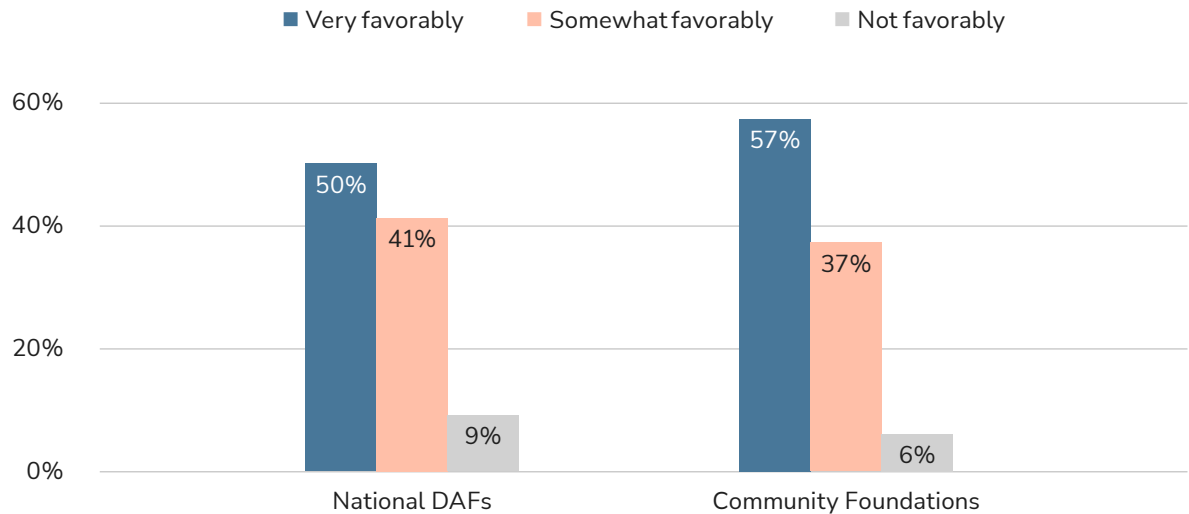
84% of respondents had a favorable opinion of both National DAFs and Community Foundations. 34% had a very favorable view of both. Community Foundations are slightly favored over National DAFs (57% and 50%, respectively).

67%

of respondents think that DAFs widen the field for larger non-cash gifts



HOW FAVORABLY DO YOU VIEW NATIONAL DAFs AND COMMUNITY FOUNDATIONS?



“DAFs are an inevitable evolution of many major gift donations. Because there is so much need in various communities, DAFs provide information to financially resourceful donors who are interested in making a positive difference by removing/reducing the need and providing access to resources.”

Nonprofit professional from a health organization



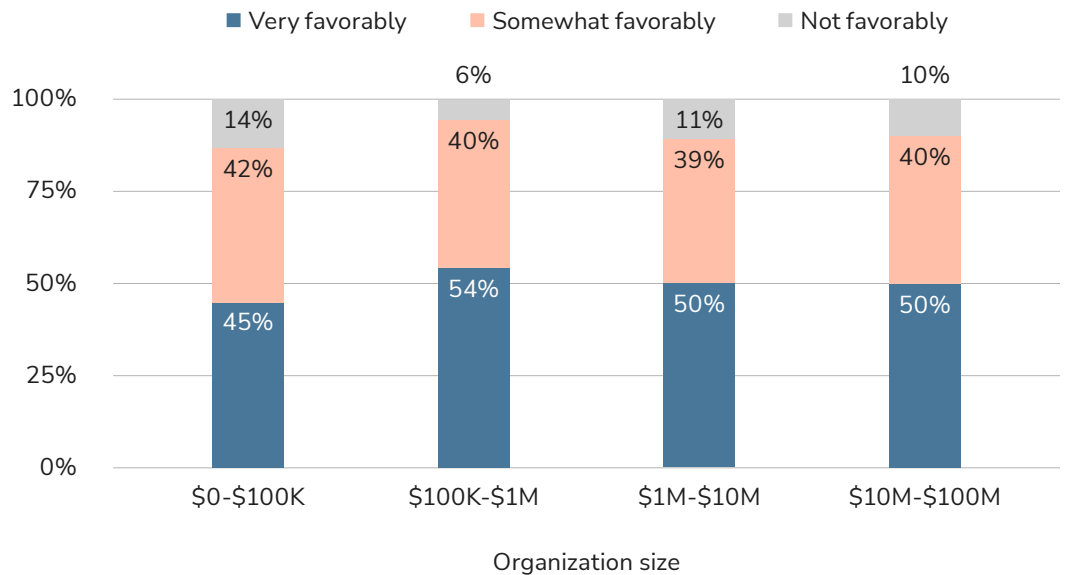
“My concern is that funds go into DAFs but don't come out at the same rate. There is a TON of money in DAFs for which the donors have received a charitable tax deduction but which has not been distributed to actual charities doing the work that needs to be done. There are few to no rules regarding distributions from DAFs so money can just sit there. There should be strong rules so that funds don't languish but are actually used for charitable purposes. I think there is a lack of transparency around the whole subject.”

Development Director at a human services nonprofit

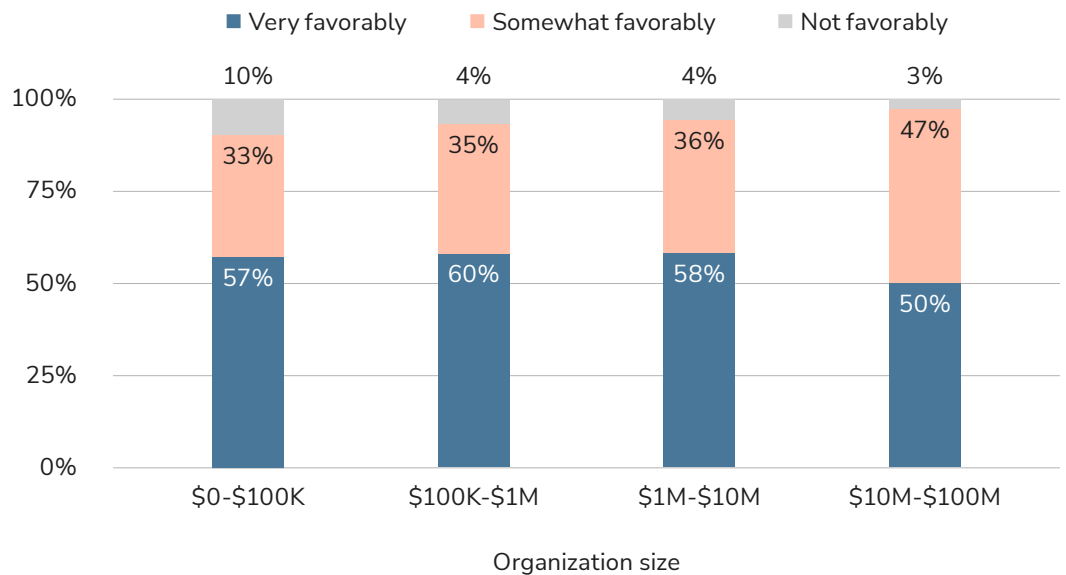
Favorability by organization size

When segmenting by organization size, Community Foundations are slightly favored over National DAFs — although both DAF types have very high acceptance rates.

HOW DO YOU FEEL ABOUT NATIONAL DAFS?



HOW DO YOU FEEL ABOUT COMMUNITY FOUNDATIONS?

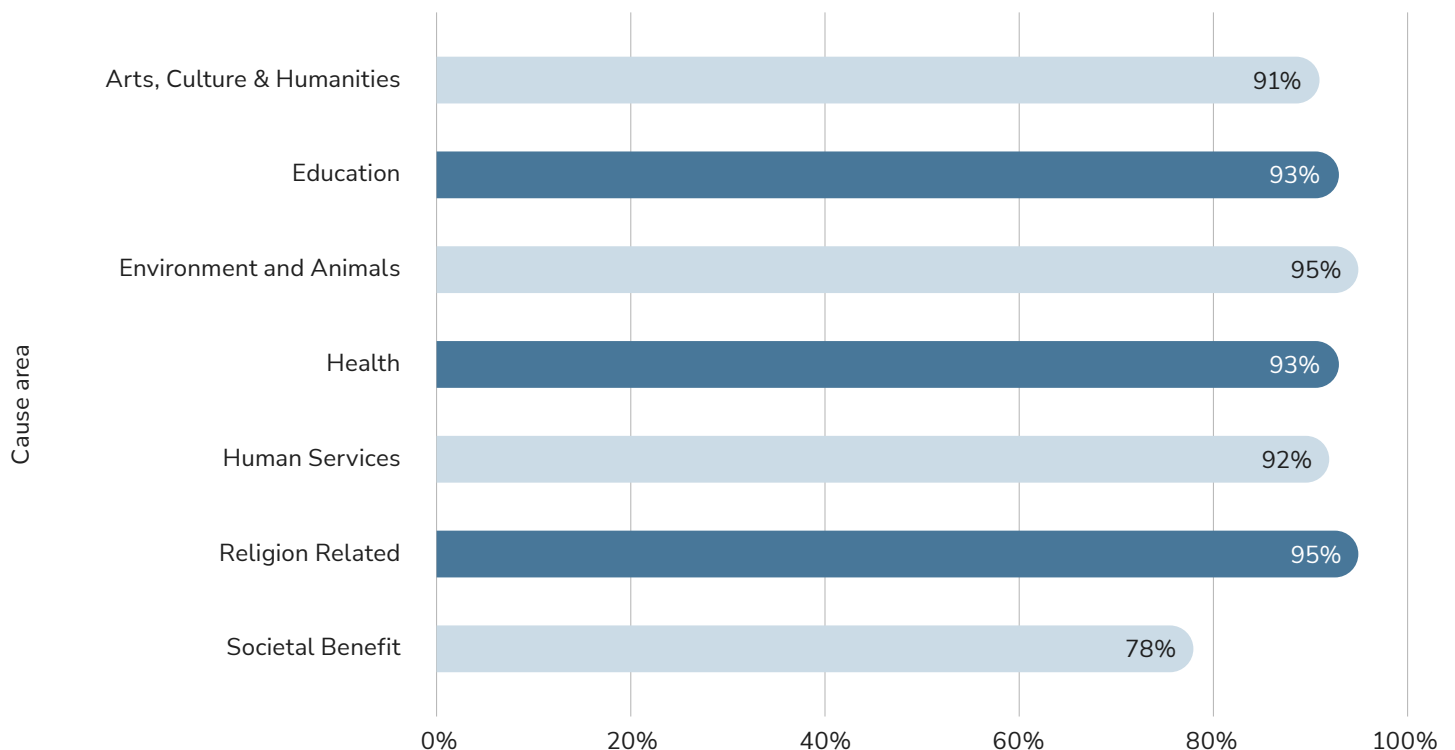


Favorability by cause area

The vast majority of respondents view both National DAFs and Community Foundations favorably, regardless of cause area.

Interestingly, acceptance rates for both types of DAFs are nearly identical when segmenting by cause area.

WHAT SHARE OF RESPONDENTS FEEL SOMEWHAT OR VERY FAVORABLY ABOUT NATIONAL DAFS?

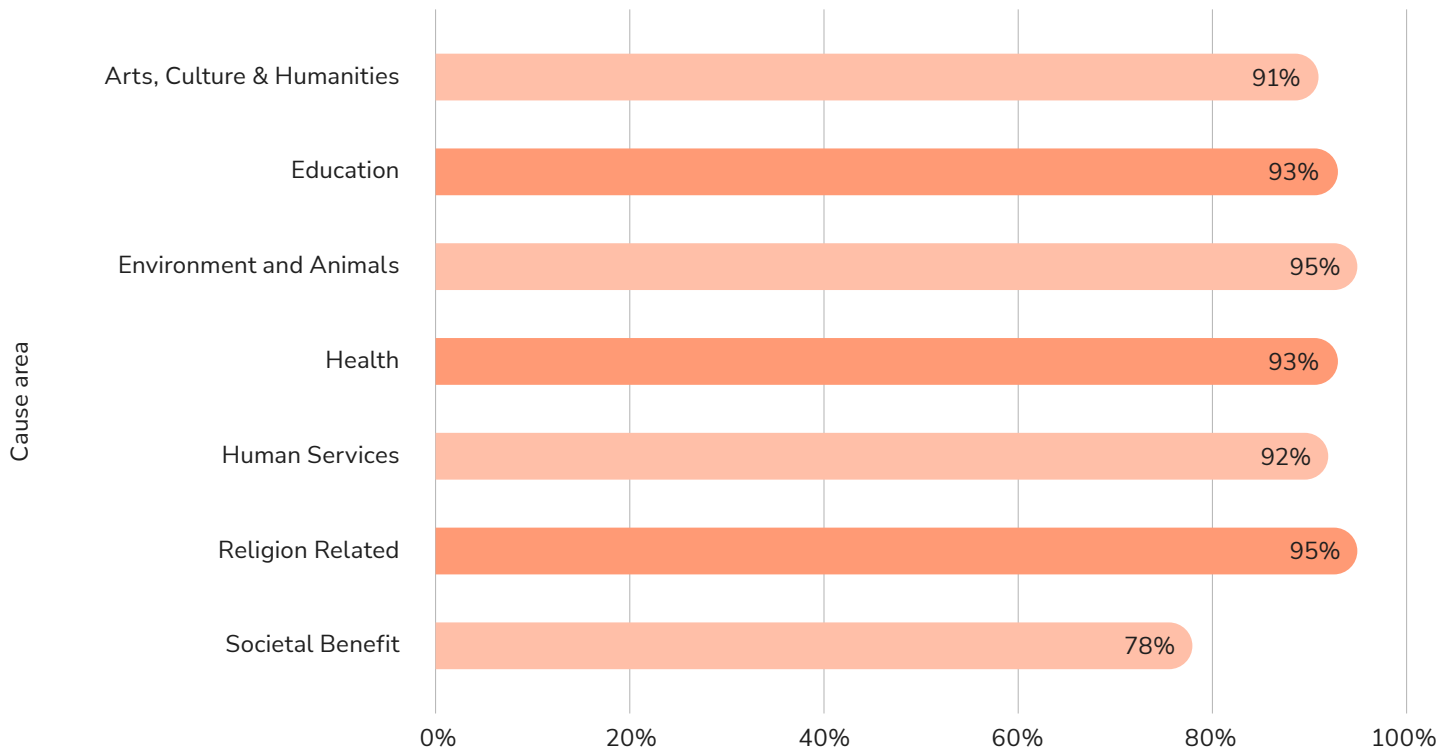


It’s worth calling out that many respondents are frustrated by the fact that there are no legal requirements for when a contribution to a DAF must be paid out to a nonprofit. Several respondents think incentives are misaligned – donors get an immediate tax benefit when **contributing** to a DAF, so they may be less inclined to make sure that contribution makes it to their intended nonprofit. And National DAFs and Community Foundations charge administrative

fees based on the value of the DAF account – so they could be disincentivized to remind donors to make contributions.

Many fundraisers are calling for tighter legislation that would put deadlines on how long dollars can remain in a DAF account – preventing contributions from languishing, and instead quickly getting them into the hands of deserving nonprofits.

WHAT SHARE OF RESPONDENTS FEEL SOMEWHAT OR VERY FAVORABLY ABOUT **COMMUNITY FOUNDATIONS**?



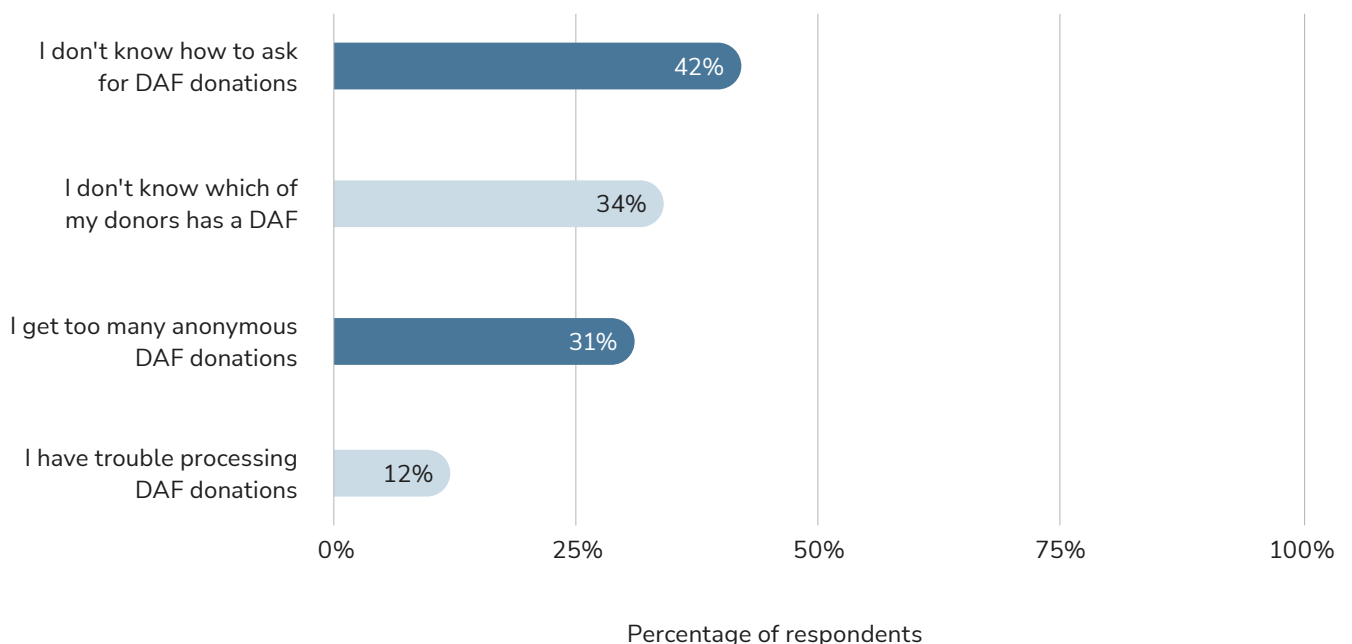
DAF pain points and challenges

The biggest pain point for fundraisers when it comes to DAFs is asking for DAF donations. 42% of respondents said they don't know the best ways to steward DAF gifts from donors.

Identifying which donors have a DAF was the second biggest pain point on the list, with 34% of respondents indicating they don't know how to determine which of their donors have DAFs.

Anonymous donations are also an issue. DAF distributions can be notoriously difficult to track — sometimes the donor wants to remain anonymous, and other times the DAF itself simply neglects to include the donor's name on the check.

WHAT ARE YOUR BIGGEST CHALLENGES WHEN IT COMES TO DAFS?





We also had many people write in and share that educating donors on the benefits of DAFs is a big challenge. Making a distribution from a DAF is more complicated than making a cash donation, and fundraisers often must spend time and effort to educate donors — assuming they understand DAFs themselves.

Finally, a lack of understanding among fundraisers is another pain point. Many respondents felt they didn't have enough history or experience with identifying, soliciting, and cultivating DAF prospects and gifts. They don't feel they know enough about DAFs to intelligently speak to donors about them. For many overworked nonprofit professionals, carving out time to learn more about this giving vehicle can feel like an arduous task.

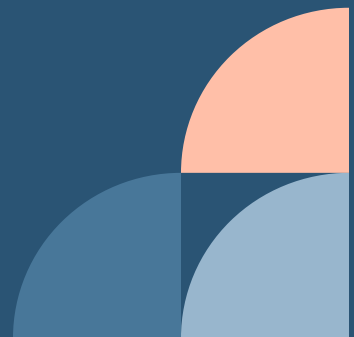
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So very often, we get very little information with a DAF gift, and I'm left scrambling to figure out where it came from to make sure we're stewarding the gift to the best of our ability.

Manager of Philanthropy at a human services organization

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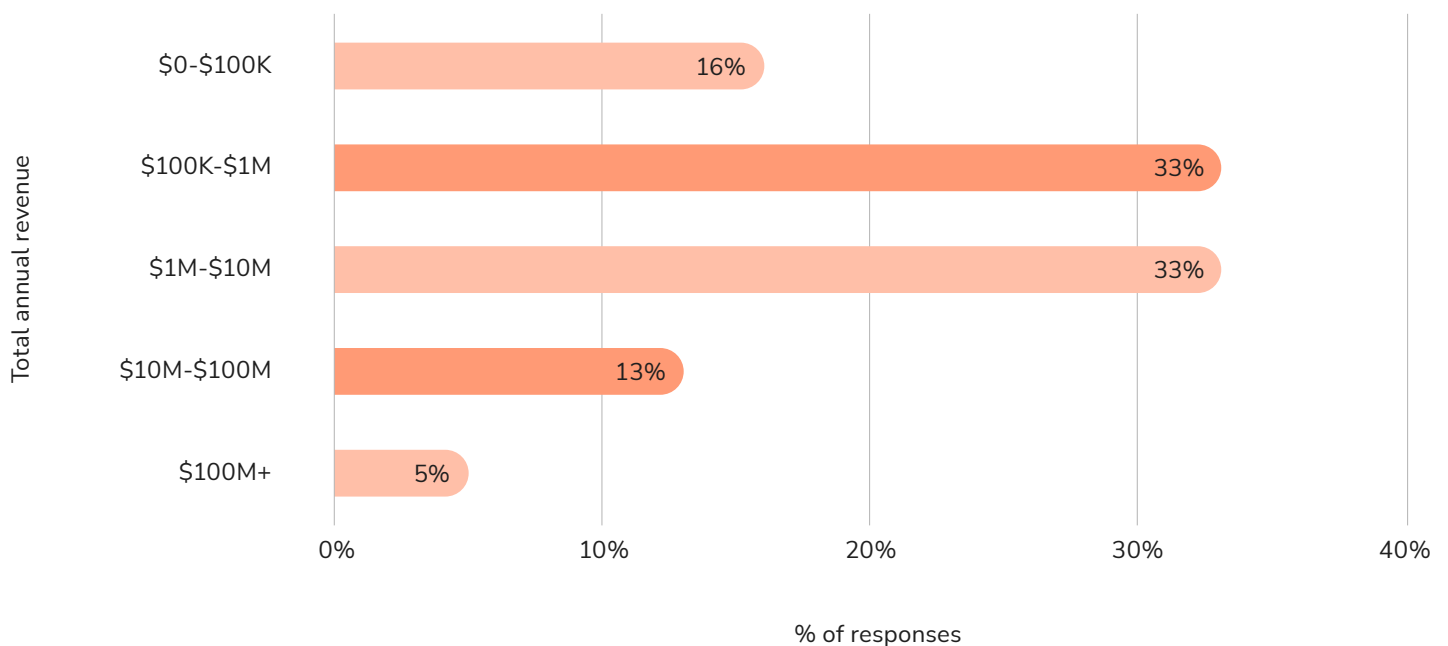
About this report



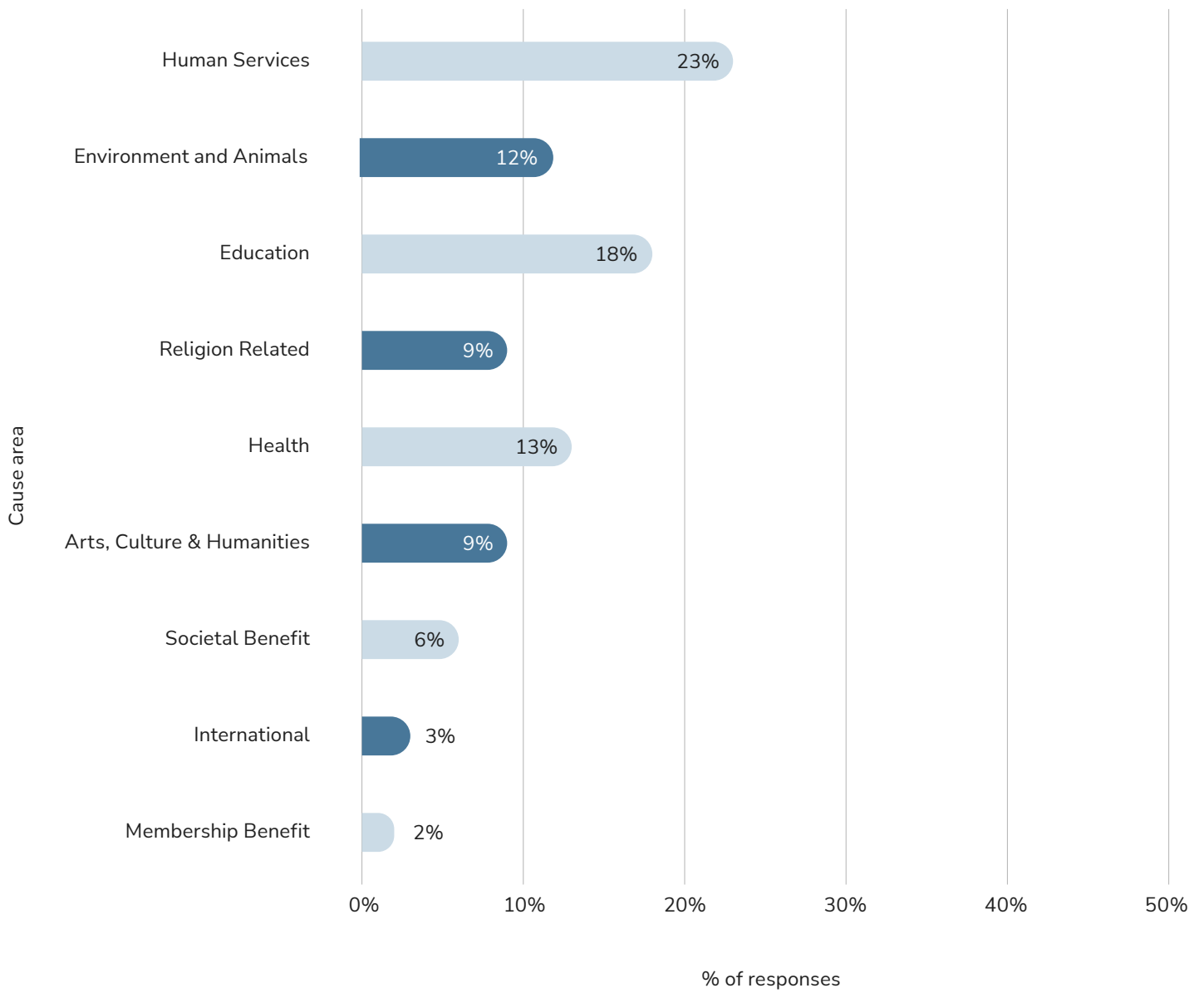
About this report

This report is an analysis of survey data collected from nonprofit fundraising professionals over the course of several weeks in January and February 2023. We surveyed nearly 500 individuals from all organization sizes and cause areas.

RESPONDENTS' ORGANIZATION SIZE



RESPONDENTS' CAUSE AREA

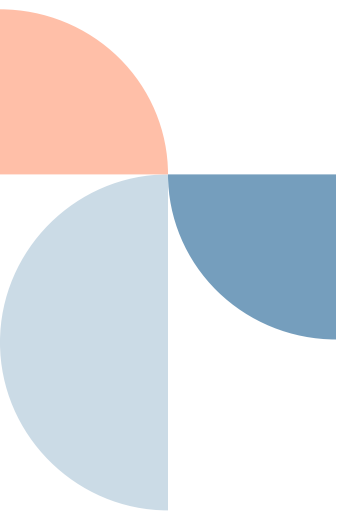


About FreeWill

[FreeWill](#) is a charitable giving platform that makes it easier for nonprofit fundraising teams to unlock transformational gifts. Our platform combines intuitive giving tools with best-in-class strategy and training so nonprofits can find, convert, and steward more high-impact donors.

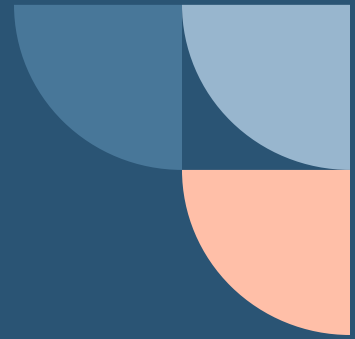
Founded at Stanford University in 2016, FreeWill is supported by a team of 200+ engineers, lawyers, designers, and fundraising experts who find joy in helping nonprofits that are doing amazing work. To date, FreeWill has generated more than \$7 billion in new gifts and gift commitments for thousands of nonprofit organizations.

The [influential original research](#) on how technology and demographics are changing philanthropy by FreeWill co-founders Jennifer Xia Spradling and Patrick Schmitt was published in the Stanford Social Innovation Review. FreeWill's work has since been featured in [The New York Times](#), [The Chronicle of Philanthropy](#), [Forbes](#), and dozens of other media outlets. FreeWill's co-founders were named "Top 50 Philanthropists" by Town & Country in 2019.





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resources.FreeWill.com



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