



## THE WALL STREET JOURNAL. ONLINE

By Monica Gutschi  
Of DOW JONES NEWSWIRES

TORONTO (Dow Jones)--There are many ways to leave a lasting legacy, but few as easy as creating a donor-advised fund.

"For a lot of people, they're a great, flexible vehicle for giving," says Jo-Anne Ryan, vice-president of philanthropic advisory services at TD Waterhouse.

Hugely popular in the U.S., donor-advised funds are a cheap, simple, turnkey alternative to creating a private foundation. The donor essentially opens a sub-account within a general endowment managed by a third party, thus dispensing with the need to hire a lawyer, register as a charitable organization or set up a board of directors, let alone deal with the ongoing administrative and tax issues involved. In some cases, donors also have the ability to determine what percentage of their initial contributions are channeled to the endowment and what percentage is given as immediate cash to a specified charity. The funds also allow donors to change which charity benefits each year, rather than locking them in to a specific cause or recipient. It also comes with an immediate tax deduction for the entire amount set aside.

"They're becoming very popular," says Marvi Ricker, vice president of philanthropic services at Bank of Montreal. "People today, especially the baby-boom generation, like to do their giving in a thoughtful manner. Instead of just writing a check to an organization like their parents did, today people want to be involved with the issues they support."

A donor-advised fund allows them to not only do that, but it's also more accessible. While it generally requires at least C\$1 million to set up a foundation, a donor-advised fund can be created with a gift as small as C\$10,000.

"This has made the concept available to many, many, people," Ryan says. Indeed, about 400 donors have created a donor-advised fund through TD's separately held Private Giving Foundation, which now has an endowment of about C\$100 million and has given C\$16 million to charities. "It's definitely a growing force out there," she says.

Most of Canada's big banks, several hospitals and a growing number of asset managers now offer donor-advised funds either through an arms-length foundation or through a third-party administrator such as Canada Gives. Donor-advised funds can also be set up through the country's 170 community foundations. According to Community Foundations of Canada, 37% of its assets were held in donor-advised funds in 2008, up from only 28% in 2002.

Although the concept of a donor-advised fund has been around for nearly 100 years, it wasn't until the baby-boom generation took notice that they began gaining traction about a decade ago in the U.S. and then sprung up in Canada.

Recent tax changes in Canada have made them an even more flexible vehicle, says Denise Castonguay, executive director of Canada Gives. While charities (including foundations and donor-advised funds) had to disburse 20% of the gifts received in a year over the following 12 months, that percentage has now been set at a minimum 3.5%. In practice, most foundations distribute 4%-5%.

Castonguay says her organization, which works principally with asset-management firms, encourages donors to give between 5% and 10% as an immediate gift to have a greater impact when the donor-advised fund is first set up. "We're trying to encourage financial advisors to be able to talk to people about charitable dollars as professionally as investment dollars and to take a business approach," she says.