

Americans' Understanding and Opinions about Charitable Foundations and Donor-Advised Funds

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An initiative by



Institute for
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In partnership with



Prepared by **SECTOR** INSIGHTS

Findings from Ipsos' Global Advisor Omnibus in the USA, May 2020

- 1. There is a general lack of awareness about charitable foundations and DAFs**
- 2. Once explained, many characteristics of foundations & DAFs are not very acceptable to Americans.**
- 3. Americans want foundations, with endowments. However, they want more limits, requirements, and funds granted.**
- 4. A clear majority of Americans (72%) are supportive of the 3-yr emergency increase to 10%**

About the Research

- This was an online quantitative survey, accessible by any internet enabled device.
- 1,005 American adults, 18+ years of age, were interviewed across the USA
- The sample of respondents was then weighted to align and represent American demographics.
- Fieldwork was conducted: May 23-24, 2020
- Results would be +/- 3.5% points 95% of the time.



A general lack of awareness about foundations among Americans

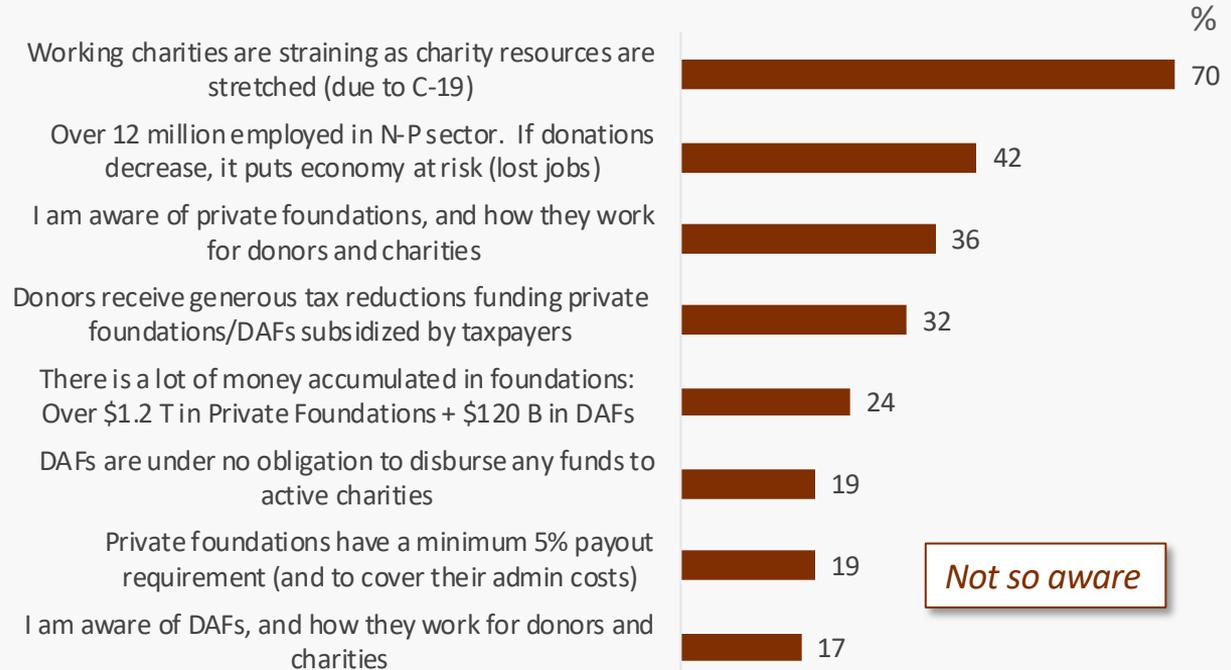
Americans are aware that charities are struggling (70%)

But it is the minority (42%) that are aware how significant the sector is to employment and the economy.

And many fewer Americans are aware of the \$1.2 trillion in foundations (24%), nor how foundations and DAFs work (under 20% awareness)

In short, Americans are not so aware of what is going on within foundations & DAFs.

AWARENESS OF VARIOUS STATEMENTS/ FACTS



Q. Which of these statements were you aware of before today?

Question Statement Wording:

Which of these statements were you aware of before today?

Aware

Not aware

randomized order of list for each respondent

- a) Working charities, such as food banks, hospitals and health centers are straining as both government funds and private charity resources are stretched (due to the impact of COVID-19)
- b) Over 12 million people (over 10 percent of the private workforce), are employed in the independent non-profit sector (such as in organizations assisting seniors, homeless people, educational institutions, non-profit hospitals, animal welfare, environmental protection, etc.). If donations decrease, it puts a lot of the economy at risk (a lot of lost jobs).
- c) Donors receive generous tax reductions when funding private charity foundations and donor-advised charity funds. For the wealthiest donors, as much as 70 cents of each dollar is subsidized by taxpayers in the form of lost tax revenue.
- d) There is a lot of money accumulated in foundations: Over \$1.2 trillion in Private Foundations, and over \$120 billion in 'Donor Advised Funds'.
- e) Private foundations are mandated to payout a minimum annual payout requirement of 5 percent to be granted to qualified charities and/or to cover their overhead administration costs).
- f) Private donor-advised charity funds (DAFs) are under no obligation to disburse any funds to active charities. Donors take tax deductions when contribute to DAF but here is no mandated payout.
- g) I am aware of 'Donor Advised Funds' (DAFs), and how they work for donors and charities.
- h) I am aware of 'Private Foundations', and how they work for donors and charities.

Many characteristics of foundations are not very acceptable to Americans (once explained)

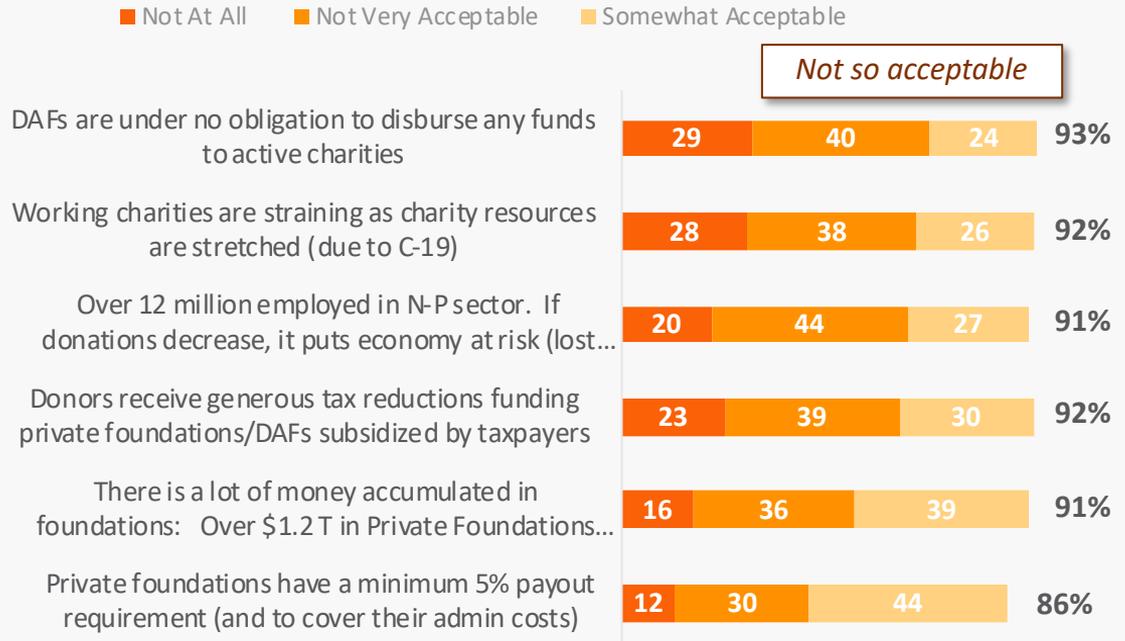
Despite low awareness of the many characteristics, when informed, Americans felt that many elements were not so acceptable to them.

It seems like the lack of public discourse about foundations is not apathy, but a lack of awareness.

The vast majority of Americans do not feel it is so acceptable for DAFs to have no distribution requirements, and for donors to receive generous tax breaks.

The concern about the \$1.2 trillion is confusing here because we cannot be sure if this means it represents easy money, or if people feel it is okay for such accumulated wealth. However, we see in the next slide how this plays out...

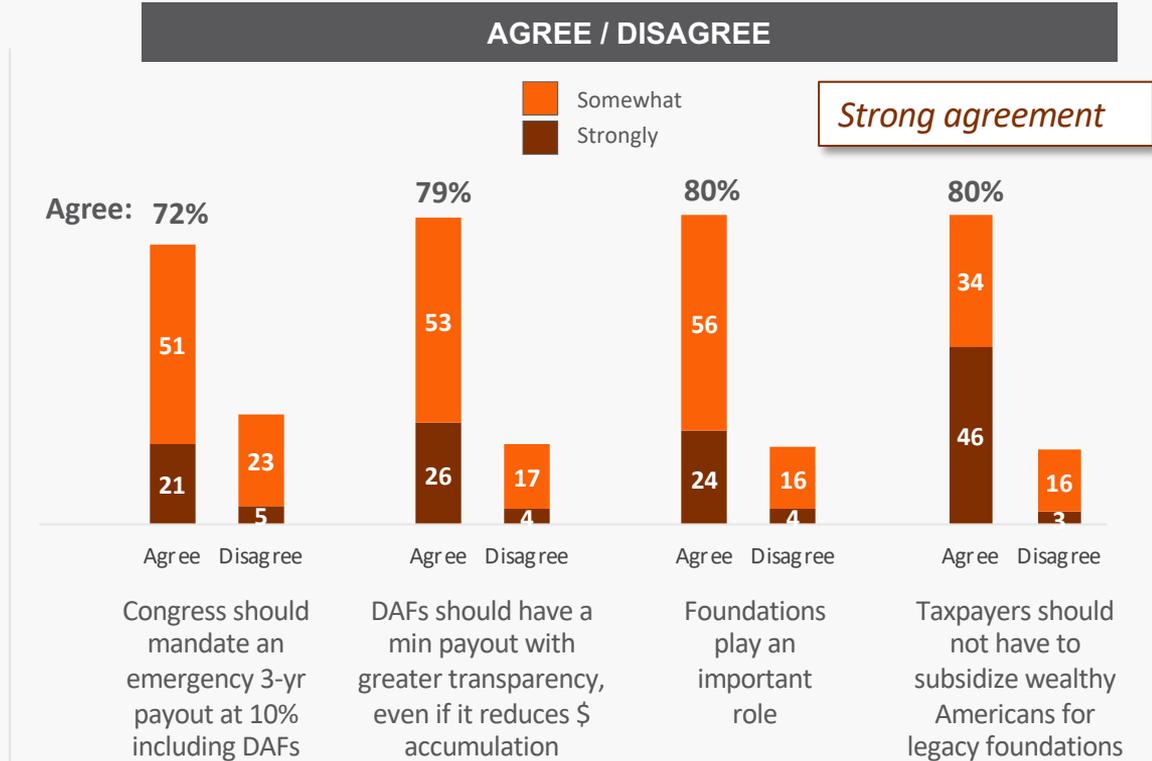
NOT SO ACCEPTABLE TO AMERICANS



Q. Knowing these facts, now, would you describe each of these situations acceptable or not acceptable?
 SCALE: Very acceptable, Somewhat acceptable, Not very acceptable, Not at all acceptable

Americans want foundations, with endowments, but with more limits, requirements and funds granted.

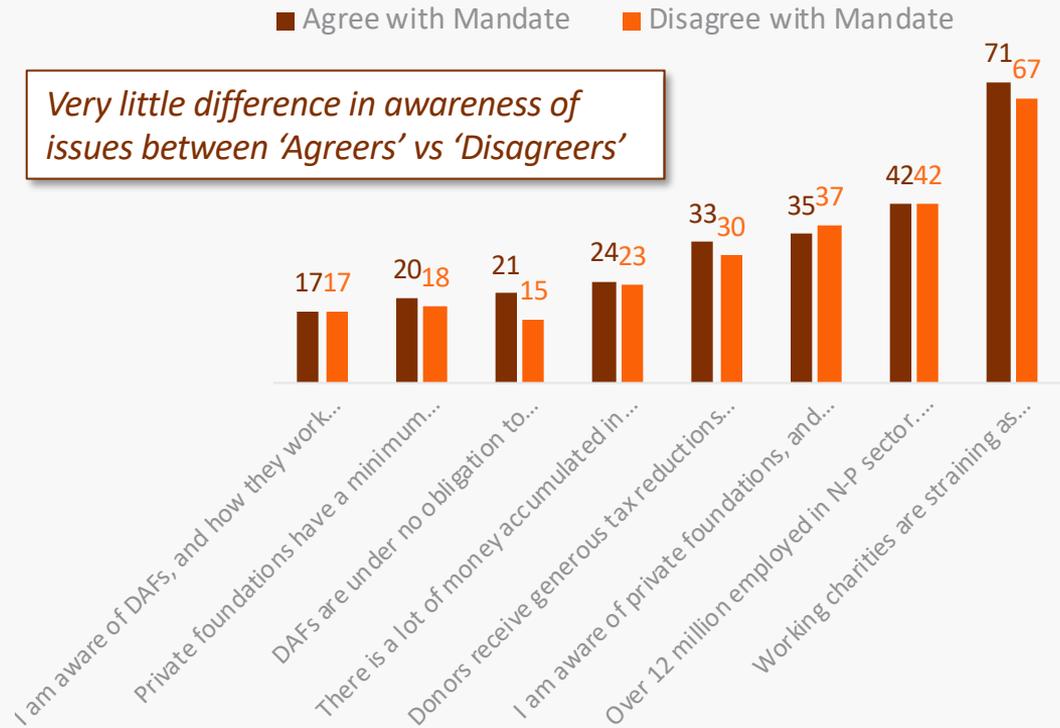
- *When specifically asked about the emergency 3-year payout at 10%, the majority (72%) of Americans agreed with this idea, with just 5% strongly disagreeing.*
- Americans also strongly felt (79%) that DAFs should have minimum payouts and greater transparency (even if it reduces the accumulation of dollars in the accounts).
- And people do not feel wealthy donors should be subsidized by taxpayers for legacy foundations – 80% agree.
- But this does not mean that foundations should disappear. Americans feel foundations play an important role (80%), and should be allowed to have some accumulated funds.
- *This implies a need for changes to better reflect the wishes of Americans.*



The profile of those who agree with the emergency mandate is not much different from those who disagree

- It appears that prior awareness of the characteristics describing the non-profit sector and foundations does not lead to a stronger or weaker belief in the proposed emergency mandate (for 3-year 10% distribution).
- Those who agree with this emergency mandate are also more likely to agree that the DAFs should have a minimum 10% distribution as well,...
- And taxpayers should not be subsidizing wealthy donors.
- ***In summary, there is a core 70+% who agree with all of the proposals to adjust the policies affecting foundations and DAFs*** (versus 20-25% who disagree).

AWARENESS OF SECTOR CHARACTERISTICS BY THOSE WHO AGREE VS DISAGREE WITH THE EMERGENCY MANDATE



The demographic profile of those who agree with the emergency mandate is not much different from those who disagree

- There are no noteworthy differences in the demographic profile of those who Agreed vs Disagreed with the proposed emergency mandate. *The support is universal and balanced across the spectrum of people.*

SOME DEMOGRAPHICS OF THOSE WHO AGREE VS DISAGREE WITH THE EMRGENCY MANDATE

Some Demographics (%)	Total Sample	Agree with Mandate	Disagree with Mandate
Male	48	47	52
Income over \$100+k	36	36	35
18-34 years old	29	29	28
Northeast	17	19	13
West	24	23	25
University Degree	28	27	31
Married	54	53	55
Caucasian/White	64	63	66

Question Statement Wording:

Q. How much do you agree or disagree with the following?

SCALE: Strongly agree, Somewhat agree, Somewhat disagree, Strongly disagree

In the face of the COVID-19 pandemic, Congress should mandate an emergency 3-year increase in foundation payout from 5 percent of assets to 10 percent –and require that donor-advised funds have a 10 percent payout to active charities – even if this reduces the overall amount of money in these foundations and DAFs into the future.

Donor-advised charity funds (DAFs) should have a minimum annual payout and there should be greater transparency, even if it reduces the amount of money that will accumulate in these DAFs over time (and perhaps make DAFs less attractive to future philanthropists).

U.S. Taxpayers should not have to subsidize wealthy Americans who wish to create permanent legacy foundations that will exist in perpetuity to give donations to charities of their choosing.

Charitable foundations play an important role because they can act independent of the bureaucracy of government, make decision free of the politics of elected officials, can address gaps not addressed by governments, and can accumulate assets to help address fluctuations in the economy from year to year (like a “rainy day emergency fund”) and in perpetuity.