Investment Advisor
THE VOICE OF INDEPENDENTS

DAF or Foundation?

A sidebar to the feature article: "Addition by Subtraction"

- Olivia Mellan

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"**Many of my** clients have wealth that is newly made or created," says Lisa Kirchenbauer, head of Kirchenbauer Financial Management & Consulting in Arlington, Virginia. "When I'm helping them learn about charitable giving, normally we start with a donor-advised fund. I think it's a good place to practice more formal and conscious philanthropy. The process of naming your fund, thinking about who you might give grants to, how you will invest the money, how you will distribute (anonymously or not), etc., is a great experience for most of my clients. Once it's established and funded, I've encouraged several of them to get their children involved in 'grant making'—i.e., finding organizations and causes that they care about, and using the gift fund to support these causes. Much to my clients' surprise, their children have come up with some great organizations to support."

All in all, she says, "I think donor-advised funds are a great way to communicate the value of philanthropy and give children an opportunity to actively participate in the process. They're also a great way to see how your children deal with money-related issues."

Barry Kohler, an advisor at BDMP Wealth Management in Portland, Maine, points out that while a family foundation can also provide this kind of experience, donor-advised funds tend to be less expensive and more flexible. Tom Rogerson, managing director of Family Wealth Services at BNY Mellon Wealth Management, observes that when family-office clients were asked to name something their family had done over the generations that was a good idea, as well as something that was a bad idea, one answer was on both lists: "Our family foundation." Prior experience with a donor-advised fund, he suggests, may help a new generation learn how to run a family foundation more successfully.