Donor-Advised Funds in Canada

By Current Wealth Advisors

Bottom line: a donor-advised fund is a charitable giving account. You make an irrevocable gift, receive the donation receipt, invest the charitable assets, and recommend grants to registered charities over time.

This piece is educational only. A donor-advised fund can be a very useful planning tool, but it is not automatically the right answer. The fit depends on your tax situation, the assets you would donate, the charities you want to support, and how the gift fits with the rest of your financial and estate plan. For larger gifts and complex planning, your accountant or tax advisor should be part of the conversation.

What is a donor-advised fund?

A donor-advised fund, usually shortened to DAF, is a charitable giving account run by a registered charity or public foundation. You contribute assets to the fund and receive a charitable donation receipt. The assets can then be invested, and you can recommend grants to registered charities over time.

The key point is ownership. Once the gift is made, it is no longer your property. The sponsoring charity owns and controls the assets. You can recommend where grants should go, but those recommendations are not legally binding. In plain English: you advise; the charity approves.

The DAF structure is useful because it separates two decisions that often get mashed together: when to make the charitable gift for tax purposes, and when to decide which charities should ultimately receive the money.

How it works

1. Contribute	2. Receive receipt	3. Invest	4. Grant
You gift cash or eligible investments to the DAF.	You receive the charitable donation receipt when the contribution is made.	The assets can be invested while they wait to be granted and investment income is not taxed.	You recommend grants to registered charities over time.

For individuals, charitable gifts usually create federal and provincial non-refundable donation tax credits. For corporations, charitable gifts generally create a deduction against taxable income rather than a personal tax credit. There are limits and carry-forward rules, which is why larger gifts should be coordinated with tax advice rather than done casually.

400 St. Mary Ave, 10th Floor
Winnipeg, Manitoba
R3C 4K5

currentwealth.ca

cwa@nbc.ca

Paul Kawchuk, CFA, CFP
Wealth Advisor & Portfolio Manager
204-925-5152
paul.kawchuk@nbc.ca

Andrew Froese, CFA
Wealth Advisor & Portfolio Manager
204-283-9060
andrew.froese@nbc.ca

Eric Nipp, CIM, FSCI
Wealth Advisor & Portfolio Manager
204-285-2353
eric.nipp@nbc.ca

3. Why people use DAFs

- **Tax timing** – A DAF can allow a larger charitable gift in a high-income year or a year with a major taxable event, while grants to charities can be spread out over time.
- **Simplicity** – Instead of tracking many annual receipts from many charities, the main receipt is issued when the contribution is made to the DAF.
- **Investment efficiency** – Assets inside the DAF can be invested for future charitable use. This can allow more of the investment return to support charity over time.
- **Privacy and recognition** – Donors may be able to control what information is shared with the receiving charity, including whether gifts are made personally, through the fund name, or anonymously.
- **Family and legacy planning** – A DAF can provide a structure for long-term giving and can help involve children or other family members in charitable decisions.

Why appreciated securities can be especially useful

For many donors, the most tax-efficient asset to give is not cash. It is often a publicly traded security that has gone up meaningfully in value.

If you sell an appreciated investment first, you probably trigger a taxable capital gain. If you then donate the cash, you would receive a donation tax credit. By contrast, donating certain publicly traded securities directly to a qualified donee may allow the capital gain to **receive an inclusion rate of zero**, subject to the applicable rules, meaning that no tax would be owed on the capital gain.

This is why charitable planning often starts with a portfolio review. If you already intend to give, a high-gain investment may be a better candidate than cash. The donor receives a receipt for the eligible value of the gift, the capital gain may receive favourable tax treatment, and the DAF can grant money to charities over time rather than all at once.

Planning point: a DAF contribution should usually be made only with assets that are clearly surplus to your personal, family, business, and estate liquidity needs. The gift is permanent.

DAFs versus direct giving and private foundations

Direct annual giving

Direct annual giving is still the right answer for many people. If your gifts are modest, you already know exactly which charities you want to support, and you do not need any tax-planning flexibility, direct giving is simple and effective.

Donor-advised funds

A DAF becomes more useful when the gift is larger, the donor wants to give over many years, or the timing of the tax receipt matters. A common example is someone who wants to make a large gift now because of a high-income year or taxable event, but would prefer to support charities gradually over time. This is one situation where a DAF might be worth considering.

Private foundations

A private foundation can offer more control and a stronger family identity, but it also creates more work. There are legal, governance, accounting, tax, and annual filing responsibilities. A DAF can deliver many of the practical benefits of a foundation without requiring the donor to create and operate a separate charity.

The trade-off is control. A DAF gives the donor advisory privileges, not legal ownership. For many families, that is a very reasonable trade. They want structure, continuity, investment management, and a practical way to involve children or other family members without taking on the administrative burden of a private foundation.

When a DAF may and may not fit

A DAF may fit when...	A DAF may not fit when...
▪ You already give meaningfully to charity. ▪ You have appreciated publicly traded securities. ▪ You have a high-income year or major taxable event. ▪ You want the donation receipt now but want to give to charities later. ▪ You want a structured alternative to a private foundation.	▪ You may need the money personally in the future. ▪ You only make small occasional donations. ▪ You want full legal control after the gift. ▪ The charity needs to receive the money immediately. ▪ You are uncomfortable with the sponsor having final grant approval.

Key questions before proceeding

1. How much are you comfortable giving away permanently?
2. Which assets are most tax-efficient to donate?
3. Do you want the tax receipt now, or would direct annual giving be enough?
4. How much should be granted to charities each year?
5. Who should be involved in grant recommendations during your lifetime and after death?
6. How should this fit with your will, estate plan, and tax plan?

Bottom line

A donor-advised fund is best understood as a charitable planning account, not a personal investment account. It can help people give more deliberately, donate appreciated securities more efficiently, simplify the administration of charitable giving, and build a longer-term charitable legacy.

The trade-off is straightforward: the gift is permanent, and the donor keeps influence rather than ownership. For clients who are already committed to charitable giving and have clearly surplus assets, that can be very attractive. For clients who may need the money later, the better answer is usually to wait.