

Weekend Investor's most recent cover story, "[Invasion of the Charity Snatchers!](#)," examined the benefits of so-called donor-advised funds, which allow investors to donate now and take deductions at current tax rates, while making the actual charitable gifts later. In effect, they are miniature versions of private foundations—but without the considerable expenses or hassles.

Here's more you should know about them.

- Many smaller donors use donor-advised funds. According to Fidelity Investments, one of the big sponsors of the funds, the average account size is \$12,000.
- Because of private foundations' administrative burdens, donor-advised funds are becoming the go-to choice for many donors—even large ones. Joseph McDonald, an attorney at McDonald & Kanyuk in Concord, N.H., tells his clients not to opt for a private foundation unless they plan to donate \$50 million or more.
- Some planners are suggesting taxpayers set up donor-advised funds during their peak earning years, when the value of their deductions is also highest. Bert Whitehead, a planner in Franklin, Mich., advised a client to put \$10,000 annually into a donor-advised fund for a decade during his peak earning years. The client gave away \$5,000 of each year's donation immediately; the rest will help fund his giving during retirement.
- At some fund sponsors, donors can choose to name their funds. Most donors opt for "The_____Family Fund," but Vanguard has the "The Joe and John Doing a Good Thing Fund" and "The Loaves and Fishes Fund," among others. Names can often be changed if a donor changes his or her mind.
- Before signing on with a sponsor, check online access to the fund. Can gifts be made electronically? Can other people have access to the fund, or only the donor? How must investment changes be made?
- Adam Carr, an attorney in Hudson, Ohio, offers a caveat to donors who want to give an appreciated asset, such stock shares, directly to a charity. He says his broker tried to shunt a large donation of his into its donor-advised fund rather than make it directly to the charity. He persevered and bypassed the donor-advised fund, but it "took effort."