

# Morgan Stanley

## Morgan Stanley Global Impact Funding Trust

### Donor Advised Funds: Tips for Effective Grant-Making

On more than a few occasions, clients have said to us: “I know that I want to set up a donor advised fund, but I’m not sure what charities I want to give to yet. Is that okay?”

#### **The Simple Answer Is, “Yes.”**

Indeed a donor advised fund (DAF) can be the perfect instrument for those wishing to be deliberate in selecting the beneficiaries of their donations.

Contributing to a DAF allows you to dedicate funds to charity and potentially obtain a current charitable federal income tax deduction while postponing your right to recommend which particular charities should benefit from your gift. All grants recommended from a DAF account are subject to approval by Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT), which serves as the sponsoring organization of each DAF.

There are thousands of organizations eligible to receive grants from a donor advised fund account, and using a DAF with MS GIFT affords you the time to research which charities are right for you.

Donors vary. Some know exactly which charities they wish to support, while others will want to explore alternatives. And each donor has his or her unique level of interest in and time for researching potential grant recipients. For those who would like some guidance in the process or are inclined to research particular

organizations in depth, there are several questions to consider and steps to take:

#### **WHAT CAUSES ARE MOST IMPORTANT TO YOU AND WHICH CHARITIES ARE MOST ALIGNED WITH THESE CAUSES?**

A charity’s mission statement should reveal the charity’s purpose and geographic scope.

#### **DO YOU WANT TO SUPPORT A LOCAL, NATIONAL OR INTERNATIONAL CHARITY?**

Supporting local charities allows you to witness firsthand a charity’s operations and impact in your community. Supporting national and international charities may allow your donations to be used for those people and in those regions where your donations will provide the greatest benefit.

#### **DO YOU WANT TO DONATE TO A NEW CHARITY OR A MORE ESTABLISHED ONE?**

More established charities will have a track record and may have a broader base with a critical mass of support to help leverage your donations. Donating to a new charity may allow you to help address emerging needs or support

innovative approaches at a time that is most critical to the organization.

#### **HOW DOES THE CHARITY FURTHER THE CAUSE IT SERVES?**

Two charities may have similar causes, but support them in different ways. For example, one charity working to end homelessness may operate a shelter, while another may teach job skills.

#### **DOES THE CHARITY USE VOLUNTEERS OR EMPLOY PAID STAFF TO DO THE CHARITABLE WORK?**

Some charities operate with large paid staffs, while others function primarily off the strength of volunteers.

#### **HOW MUCH OF YOUR CHARITABLE GIFT WOULD GO TO SUPPORTING THE CHARITY’S MISSION?**

All charities have overhead costs, but the percentage of a charity’s overall revenue that those costs represent may vary. You may investigate whether the charity spends a significant amount on items such as fundraising costs and employee salaries and what percentage of donations actually are spent on the organization’s charitable mission.

**WHAT IS THE CHARITY’S HISTORY AND REPUTATION?**

A charity that has been in existence will have a reputation in the populations it serves. A more established charity may also have articles and reviews on the charitable work it performs.

**DOES THE CHARITY PROVIDE DATA AND TESTIMONIALS FOR ITS RESULTS? ARE THERE ANY THIRD-PARTY ORGANIZATIONS ANALYZING THE CHARITY’S DATA?**

Such information can be helpful in evaluating the worthiness of a potential beneficiary. For those who wish to find the right organizations that will benefit from your DAF, we suggest the following four preliminary steps:

**1. BEGIN YOUR CHARITY SEARCH BY IDENTIFYING WHAT CAUSES YOU WISH TO SUPPORT AND LOOK FOR CHARITIES THAT SERVE THOSE CAUSES.**

If you are unsure about which charities interest you, consider asking family, friends and coworkers about causes they support. You may also use the internet to explore qualifying organizations (see tools identified in table below).

**2. CONDUCT PRELIMINARY RESEARCH ON POTENTIAL RECIPIENTS.** Check a charity’s webpage. Ask questions of people involved in the charity. Inquire about the organization’s services, the structure of its program and staff, the condition of its facilities and the organization’s particular needs. Perhaps schedule a site visit.

**3. PRELIMINARY RESEARCH MAY BE SUFFICIENT, OR YOU MAY DIG DEEPER.** You may consider looking at the organization’s Internal Revenue Service (IRS) and state filings. A charity’s Form 990 tax return, filed with the IRS, is generally publicly available and explains the charity’s mission, salaries of top employees, payments to fundraisers, governance, finances and information about the executives and board members. In addition, most states require that charities register with and report to the state’s attorney general. The IRS provides a link to state government websites that can provide donors with useful information and reports on charities registered in their jurisdiction.

**4. THE INTERNET OFFERS OTHER RESOURCES TO ASSIST YOU WHEN MAKING YOUR CHARITABLE GIFT RECOMMENDATION.** Websites such as Charity Navigator and GuideStar allow you to access databases of charitable organizations, charity ratings, financial information and overhead costs. These websites also provide the public with free information and analysis on charities.

**Websites for Charitable Organizations**

*The table below provides some websites that may be useful in researching charitable organizations. Although MS GIFT does not endorse any of these websites specifically, they can serve as valuable tools to help you identify charities you wish to recommend.*

WEBSITE	ATTRIBUTES AND INFORMATION AVAILABLE TO DONORS
irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check	This section of the IRS site allows donors to find basic information about charities.
irs.gov/Charities-&-Non-Profits/State-Links	This section of the IRS site provides links to state government sites that provide useful information and reports on charities registered within their states.
charitynavigator.org	This site rates charities in three categories: Financial Health, Accountability & Transparency, and Results Reporting. The site also provides donors with tips.
givewell.org	This site identifies the "top charities" to support, based on evidence of positive impact, cost-effectiveness of activities, need for funding, and transparency and accountability to donors.
bbb.org/charity	This site measures charities against up-to-date benchmarks based on the following: Governance, Measuring Effectiveness, Finances and Fundraising. The site breaks down each category into subcategories, and explains why a charity may have missed a benchmark.
guidestar.org	This site contains information for all charitable organizations registered with the IRS and lets users write reviews for individual charities. Copies of a charity’s annual Form 990 tax returns are generally available here.
myphilanthropedia.org	This site breaks down charities based on the charity’s local, national or international designations and further subcategories such as education, at-risk youth, civil rights, emergency response, and arts and culture. These subcategories are then broken down into specific programs that deal with particular causes or issues. The site then ranks the organizations in their respective categories.

**For more information about MS GIFT and its donor advised fund program, please consult the Donor Circular and Disclosure Statement or your Financial Advisor or Private Wealth Advisor.**

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