

Boston Foundation Donor Advised Fund vs. Private Foundation

A Quick Comparison for Professional Advisors and Their Clients

Clients increasingly ask about the best way to structure their philanthropy. The Boston Foundation's donor advised funds (DAFs) provide a streamlined, flexible, and tax efficient alternative to establishing a private foundation—while still supporting thoughtful, strategic giving.

Side-by-Side Comparison

Setup & Administration

	TBF Donor Advised Fund	Private Foundation
Setup	Quick, simple; established through the Boston Foundation (TBF).	Complex; requires forming a legal nonprofit entity and obtaining 501(c)(3) status.
Administrative Burden	TBF handles compliance, grant processing, record-keeping, tax receipting, and asset management.	Donor must manage (or hire staff/consultants for) accounting, filings, audits, legal compliance, and grant administration.
Overhead Costs	Lower operating costs than private foundations, and fees support research and other civic leadership activities at TBF.	Higher overhead due to staffing, legal, audit, consulting, and other operating costs.

Tax Treatment

	TBF Donor Advised Fund	Private Foundation
Tax Deduction	Up to 60% of AGI for cash; 30% for appreciated assets.	Up to 30% of AGI for cash; 20% for appreciated assets.
Capital Gains	Appreciated assets can be donated at full fair-market value with no capital gains tax.	Donating appreciated assets often yields a deduction limited to cost basis.
Payout Requirements	No annual requirement.	Must distribute approximately 5% of assets annually.

Investments & Asset Management

	TBF Donor Advised Fund	Private Foundation
Investment Oversight	Access to market-leading asset managers, such as top private equity, venture capital, and other alternative asset managers; premium returns, net of fees; leading impact investing strategies with a proven track record of success; ability to utilize donor's investment manager through our Advisor Managed Fund program.	Donor oversees investment strategy and hires advisors; must meet IRS self-dealing and excise tax rules. Often lacks scale needed to access top-tier managers.
Complex Asset Gifts	Accepts real estate, stock, S-corp shares, and other non-cash assets; can eliminate capital gains.	Permissible but administratively burdensome; may require specialized legal/valuation support.

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Grantmaking Flexibility

	TBF Donor Advised Fund	Private Foundation
Grantmaking Scope	Grants to U.S. and international charities; TBF offers vetting and local expertise.	Broader options, including grants to individuals (with strict IRS rules), scholarship programs, and operating charitable programs.
Approval Process	Donors recommend grants; TBF provides final approval and handles compliance.	Full control over grant criteria and approvals. Must write grant checks and manage all accounting.
Privacy Options	Grants can be anonymous.	Grants, board members, and 990 filings are all public records.

Legacy & Family Engagement

	TBF Donor Advised Fund	Private Foundation
Family Participation	Successor advisors can be named; simple multi-generation structure. Comes with TBF support as generations change.	Offers formal governance roles (boards, committees) and engaged family involvement.
Lasting Impact	Can continue through successor designations or flexible options to craft a legacy gift supporting donor interests and values.	Can exist indefinitely as a family philanthropic institution as long as the family is willing to participate.

This chart is simplified for clarity. The Boston Foundation does not provide legal, tax or financial advice.

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