

Tubs, Tanks, and Towers: Donor Strategies for DAF Giving

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Author Note

We would like to thank the participants in this study for their willingness to discuss their philanthropic giving with us and those who were willing to make referrals for this study. We acknowledge the Program for Religion and Social Policy Research at the University of Pennsylvania for their partial support of the study.

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Abstract

The increasing use of DAFs creates challenges for nonprofit managers and fundamentally changes the way that many donors give to charity. We conducted 48 in-depth interviews with DAF donors to understand their strategies of how they give through a DAF. Through the interviews, found three distinct models of DAF giving strategies: tubs, tanks, and towers. Tub donors give quickly through a DAF, moving money in and out annually. Tank donors contribute large lump sums and grant the money away in the relatively near future. Tower donors take a calculated approach with the DAF to sustain their philanthropic activity for the long term. Several factors relate to these strategies, including the sources and timing of contributions, different types and purposes of grantmaking, tax implications, investment strategies, and family involvement. Our findings will help nonprofit managers, fundraisers, and other stakeholders to better understand the contours of the various ways donors give through DAFs.

Keywords: Donor-advised funds, giving strategy, philanthropy, donations

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The nonprofit sector is facing a rather steep learning curve with the rapid proliferation of donor-advised funds (DAFs). Fundraisers and fund managers, community foundations, and private foundations are all trying to grasp how the growth of DAFs will affect their work. More and more nonprofits are receiving donations from DAFs. A survey conducted by the IUPUI Lilly Family School of Philanthropy (2020) found that 70% of nonprofits reported having received a grant from a DAF. Every year, the number of people using DAF grows. In 2020, over one million DAF accounts were reported—a 16.3% increase over the previous year (National Philanthropic Trust, n.d.). In 2019, 12.7% of all charitable giving by individuals first went to a DAF (National Philanthropic Trust, n.d.). The increasing use of DAFs is changing the “philanthropic landscape” for nonprofit managers (Daniels & Lindsay, 2016, p. 26), and using DAFs fundamentally changes the way that many donors give to charity (Heist et al., 2021). Nonprofit managers and leaders face several challenges by receiving more of their philanthropic revenues from DAFs (IUPUI Lilly Family School of Philanthropy, 2020). This paper explains how donors give through DAFs and offers suggestions for how nonprofits managers and leaders can use this information to improve their fundraising approaches with DAF donors.

The key issue with DAFs is timing (cf. Madoff, 2016). Once a donor contributes money into a DAF, how long does the donor take to grant the money out of the DAF to another charity for programs and services? On the aggregate, DAF money has a “shelf life” of about 3 to 4 years (Andreoni, 2017, p. 26); payout rates range between 16.2% and 24.7% (Andreoni & Madoff, 2020; National Philanthropic Trust, n.d.); and median flow rates are about 85% (Heist & Vance-McMullen, 2019). However, all of these statistics use Form 990 data, which are aggregated by

each DAF sponsor organization, and we know very little about how and why individual donors use DAFs. This article asks the following questions:

- (1) How do donors decide the timing of their DAF giving?
- (2) What are the factors that influence their decisions?

We conducted 48 in-depth interviews with DAF donors to provide qualitative evidence for answering these questions. Findings from this study resulted in three basic models for the timing of DAF giving: tubs, tanks, and towers. These three basic models (and their variations) provide a framework for understanding the timing of donors' strategies for DAF giving.

Information from this study provides a more empirical basis for various nonprofit stakeholders to meet their own needs and interests regarding DAFs. Nonprofit managers and leaders, including development officers and fundraisers, will be able to use the insights from our interviews to understand the strategies donors take with DAFs. With an increased understanding, fundraisers will be able to identify which DAF strategies their donors may be using and then modify solicitation strategies accordingly. Managers at DAF sponsors will also be able to use the findings from this study to better understand their clients. Knowing the various types of DAF strategies that donors take will help sponsor organizations manage donor relations and develop internal policies appropriately. Donors themselves may glean insights from this study and more thoughtfully consider their own approach to DAF giving. Policymakers may gain insights from the findings around DAF strategies to inform how potential regulation could affect different groups of donors.

Background

DAFs are intermediary philanthropic vehicles, meaning they are used as temporary holding accounts for money that is irrevocably designated for charitable purposes. Donors first make a tax-deductible contribution into their DAF account, held by a nonprofit sponsor organization, and later recommend a grant from their DAF account to another nonprofit organization. DAF accounts offer numerous benefits to donors and can create challenges for nonprofit recipients of the grants.

The benefits to donors include tax savings (especially with the donation of appreciated assets), more time for philanthropic decision making, lower transaction costs for donating appreciated securities and other non-cash assets, simplified record keeping, easy grantmaking, options for anonymity, philanthropic advising, and the opportunity for family involvement (Andreoni, 2017; Heist et al., 2021; Rooney, 2017). These benefits will be discussed in more detail throughout this paper as they relate to donor behavior. Many of the benefits shape the ways that donors utilize the DAF and explain some of the differences in DAF giving strategies. Next, we review several of the issues relevant to DAF giving strategies and the factors that may influence them.

Timing of DAF Giving

Even though donors do not *need* to move money through their DAFs according to any public regulations, they seem to do so at substantial rates. Using a First In, First Out accounting method, Andreoni (2017) estimated the average shelf life of DAF moneys to be between 3 and 4 years. Moreover, aggregate DAF payout rates are considerably higher than those of private foundations (National Philanthropic Trust, n.d.). While the formula for calculating aggregated

payout rates has been a matter of some debate, the range for 2019 using different formulas is between 16.2% and 24.7% (Andreoni & Madoff, 2020; National Philanthropic Trust, n.d.).

Nevertheless, the timing issue has become a matter of public policy debate. In June of 2021, Senators King (I-ME) and Grassley (R-IA) introduced the Accelerating Charitable Efforts (ACE) Act, proposing a 15-year window for donors to grant DAF money (Council on Foundations, n.d.). Findings from this study offer some insights into how this legislation would impact certain types of donors.

Part of the reason timing is a strategic issue with DAFs is because they allow donors to make charitable gifts in different phases that could be accomplished in a very short period of time or over a lifetime (Heist et al., 2021). Because DAFs are so flexible, and there is currently no regulation for the timing of grantmaking, one would expect considerable variation in how long donors take to give money through DAFs. In a study of DAF donors at community foundations in Michigan, Williams and Kienker (2021) found that most accounts (75%) do some grantmaking in any given year, and only 10% of accounts were inactive across the 4 years in their study. The study also reported considerable variation in the payout rates at which donors granted out of their DAFs. One of the key findings from the report was the difference in payout rates between donors who had “endowed accounts” and those who had “spendable accounts” (p. 9). Endowed DAF accounts typically base grantmaking on the earned interest and seek to preserve the principal of the account. Spendable accounts do not have these restrictions. In Michigan community foundations, the median payout rate in endowed DAF accounts in 2020 was 4.2%, whereas the median for spendable DAF accounts was 21.6% (Williams & Kienker, 2021). We find similar variation in giving patterns in this study.

Factors of Giving

Charitable giving is a decision-making process involving multiple factors, including where to give, what philanthropic vehicles to use, what assets to donate and when, and whether donations should be anonymous and, if so, what the level of anonymity should be (Frumkin, 2006). When donors use a DAF as their philanthropic vehicle, they can separate some of these factors between the contribution and grantmaking phases (see Heist et al., 2021). Therefore, we categorize several factors that shape DAF giving according to the contribution phase and the grantmaking phase.

Contribution Strategies and Variables

Many DAF donors give at a time they experience a liquidity event, such as when they sell a property or receive a large payout at work. Usually, liquidity events are a financially advantageous time to donate, as the donation can reduce taxable income. People are generally more sensitive to tax advantages of charitable giving when experiencing income volatility, or “transitional income,” than they are with their regular, or “permanent,” income (Randolph, 1995, p. 711). This distinction builds on the permanent income hypothesis (Friedman, 1957), which suggests that individuals attempt to smooth the consumption of their financial resources over their lifetime. In years when income is greater than average, the hypothesis is that they save this “transitory income” to be used in years when income is below average (which may simply be in retirement when they stop earning income). Thus, tax sensitivity and a desire to optimize tax deductions are a key factor to how and when DAF donors contribute to their account.

Some donors use a “bunching” technique that allows them to smooth donations, not based on liquidity events or life events, but based on tax-saving calculations (Harris & Hemel, 2019, p. 2). They increase their contributions in one year to exceed the standard deduction that year, and then they give out of the DAF in subsequent years, while taking the standard deduction, thereby recognizing a larger tax deduction for their donations. This bunching technique became more valuable after the passing of the Tax Cuts and Jobs Act of 2017, which substantially raised the standard deduction. In this way, DAFs may disproportionately benefit high-income donors, who are able to use this strategy effectively.

In addition to tax considerations, the nature of liquidity events may be such that donors do not have the time they would like to fully engage in philanthropic work (Harris & Hemel, 2019). For example, selling a business often involves extensive work after the transaction to ensure a successful transition to the new owners, and subsequent compensation may be tied to the future financial success of the company being sold. Although this arrangement helps ensure the long-run viability of the business, it often does not allow for the seller to dedicate time to donating the proceeds from the business sale. In many instances, these and other opportunities may occur during peak earning years when individuals are more focused on accumulating wealth than on where to effectively give that wealth (Harris & Hemel, 2019). Such donors may find the DAF vehicle advantageous because of the flexibility that it offers in terms of timing.

We note that only the contributions into a DAF are tax deductible. Any appreciation, or investment earnings, that occurs within the DAF is not taxable or tax deductible. Individuals who would rather *not* commit dollars to charitable purposes could instead invest those funds outside of the DAF and donate later once they appreciate further, still avoiding the capital gains

tax on the appreciated values. The use of the investment earnings within the DAF becomes an important factor in the grantmaking strategies.

Finally, opening a DAF implies maintaining a minimum balance. Many DAF sponsors specify a minimum account balance, and many fee schedules disincentivize lower account balances. Thus, when contributing to a DAF, donors may consider maintaining a minimum account balance in addition to what they plan to grant away to charities.

Grantmaking Strategies and Variables

When donors make grants from their DAFs, the behavior can parallel other types of direct giving (i.e., those without an intermediary). DAF grants can be used for annual donations or repeated donations to the same organization, usually responding to regular solicitations and providing general operating support. DAF donors can make major gifts, which are typically larger amounts designated for special projects or purposes. DAFs also allow donors to make bequests, or grants made to the charity after their death. We introduce a new type of donating or grantmaking in this paper, borrowing a term from the volunteer literature, called *episodic grantmaking*. Episodic volunteering happens when volunteer engage in short-term, often one-time, volunteer experiences with an organization (Cnaan et al., 2021; Hyde et al., 2016).

Because DAFs can serve as holding tanks for money already earmarked for charitable purposes, they allow donors to respond to unanticipated, unique, and usually one-time opportunities to donate to organizations engaged in emergent causes, such as COVID-19, increased focus on racial justice, or devastating natural disasters. Paarlberg et al. (2020) reported how community foundations were able to respond to increased community needs due to the COVID-19 pandemic because they had the “slack” to redirect resources to this unforeseen tragedy (p.

1121). Much of the slack from community foundations may have been from DAF donors responding to the pandemic with their latent philanthropic potential.

One of the results of having no time restrictions on DAF giving is the option to involve family members. Family involvement has been identified as one of the benefits of the DAF vehicle (Heist et al., 2021). Because donors can name multiple advisors per account as well as successor advisors upon their death, DAFs allow donors to involve family members with inter vivos giving as well as in legacy plans. We suspect that family involvement would be one of the factors that influence the timing of DAF giving.

As mentioned above, DAFs allow donors to give anonymously in different ways. While there are several reasons why donors may choose varying degrees of anonymity (Heist et al., 2021), we tracked how anonymity may be related to DAF giving strategies but did not find any evidence that anonymity is related to the models in this paper; therefore, we do not include it as a key variable.

Method

Data for this research come from two separate qualitative studies examining DAF users' experiences (see Authors [2021], for a more thorough discussion of each individual study and how the data were pooled). All research participants were recruited using a purposive sampling approach, which emphasizes identifying participants who can "purposefully inform an understanding of the research problem and central phenomenon" (Creswell, 2013, p. 156). Overall, participants were recruited into the study through the authors' existing connections with DAF donors (n=13), an open call from a university research center with a focus on philanthropy (n=15), recommendations from managers of DAF sponsors (n=7), and additional

referrals or “snowballs” from these sources (n=13). The resulting data set included 48 semi-structured interviews with participants across the United States, although approximately half of all participants were based in California (see Table 1 for a demographic summary). Interviews covered a broad range of topics, including participants’ introductions to DAFs, their contribution and investment approaches, and their granting behaviors. All interviews occurred between June 2018 and August 2020 and were professionally transcribed before being uploaded into Dedoose (version 9.0.17) for analysis. All participants were assigned pseudonyms.

Table 1

Participant Demographic Summary

Variable	Category	Frequency
Gender (male/female) ^a	Male	25
	Female	24
Sponsor type	Community	12
	Multiple	5
	National	27
	Single-issue	4
Approximate DAF balance	< \$100,000	14
	\$100,000–\$999,999	18
	>\$1,000,000	8
	Did not provide	8

^aIncludes a joint interview with two participants (one male, one female)

The identification of DAF timing models proceeded in four steps, loosely following the method introduced by Kuckartz (2016) and modified by Zoll et al. (2018). First, based on previous analysis of DAF donor processes (Heist et al., 2021) and a review of salient literature on fundraising and DAF giving (Rooney, 2017; Tempel et al., 2016), the research team discussed potential strategic approaches to DAF giving and identified an initial list of DAF strategy attributes (e.g., contribution types, investment options, and timing of contributions/grants) we

believed would help clarify (or, in some cases, typify) different strategic approaches. Here, we identified timing as a key strategic attribute that we believed most strongly distinguished DAF donors' strategies. With these attributes in mind, our second step was to collectively develop a codebook and then individually code the transcripts using a deductive approach, specifically identifying excerpts that either directly applied to our previously identified attributes or reflected general discussions about DAF use timing.

In the third step, we developed individual profiles for each participant, as the DAF users (and not the DAFs themselves) were the unit of analysis. This occurred in two stages. In the first stage, research team members reviewed the coded transcripts, generating a grid of each participants' attributes. In the second stage, two research team members individually reviewed the attribute grid (and, in some cases, the respective transcript) and classified the participant's overarching strategic orientation. Coding and classification assignments were structured so that researchers did not both code and classify the same transcript/profile. All classifications were discussed and agreed upon among the research team; in situations where researchers disagreed on a participant's strategic classification, a third researcher also reviewed the interview transcript and summary of attributes before a profile was jointly classified.

In the fourth and final step, the individual profiles and classifications were analyzed and compared with one another, resulting in three DAF strategy typologies: *tubs*, *tanks*, and *towers*. These DAF donor profiles represent the strongest or "purest" representation of each given typology; these are the profiles for which "the elements within a type [were] as similar as possible" and "the differences between the types [were] as strong as possible" (Kluge, 2000, p. 2). In our project, these DAF donor profiles (and their respective collections of attributes) form

anchor points along a spectrum of attributes and behaviors related to DAF use strategy. Table 2 provides a grid of participants with typological classification and indications of salient variables.

Importantly, although each step is presented here sequentially for clarity, we acknowledge that multiple parts of the process were iterative. For example, during the classification process, the research team routinely discussed and clarified attributes of the DAF strategy types. Similarly, some attributes that were not identified in step 1 of the process emerged as important to understanding and distinguishing between DAF strategic approaches. These situations and others required re-reviewing or recoding transcripts, changing the structure of the classification grid, or changing the classifications themselves. This refinement process continued until the research team agreed on both typology definitions and profile classifications as presented in Table 2.

Table 2

Analysis of DAF Giving Strategies with Giving Factors

Classification	Participant	CONTRIBUTIONS				TAXES AND INVESTMENT		GRANTMAKING				
		Annual	Lump sum	Maint- enance	Other	Tax saving	Investment strategy	Annual	Episodic	Major gift	Bequest	Involve family
Tub	Adam	X				++	^	X	X			
	Beth	X	X				^		X			
	Carissa	X			X	-			X			
	Frank	X					^	X			X	
	Henry	X		X		+	^	X	X			S
	Isaac	X				++	^^	X	X	X		
	Kayla	X	X			+	^^	X	X	X		
	Larry	X				+	^	X				S
	Laurie	X						X	X	X		C
	Martin	X	X			++	>			X		B
	Ophelia	X	X	X		++	^	X				
	Quinton	X		X			^	X	X			S
	Travis	X					^	X				S
	Umar	X		X		++	^^	X	X			B
	Una	X						X		X		
Walter	X				++	>	X				S	
Tub/Tank	Denise		X				>			X		
	Felicia		X			+	^^				X	C
	Nasir	X	X	X			^^^	X		X		S
	Sergio	X	X				^	X	X			
	Zeke	X	X				^^			X		
Tank	Abe		X			+		X	X	X		

	Bill		X			+	^^^		X	X		S	
	Janet		X			++			X			B	
	Jocelyn	X	X		X	+	>		X	X	X		
	Katherine		X			++	^		X		X	S	
	Olivia		X		X	+			X		X	S	
	Peyton	X	X			++			X	X	X	S	
	Priscilla		X			+	^^^		X			S	
	Tina		X			-			X	X	X		
	Viviana		X			+				X	X		
	Wendy		X			++			X	X	X	S	
	Yael	X	X		X	++					X		
	Zoe		X		X	++	^^^		X			B	
Tank/Tower	Elliott	X	X		X	++	^^^			X	X	S	
	Heather		X			++			X	X	X	S	
	Reese		X		X	++	>			X	X	S	
	Yvonne		X			++			X	X	X		
Tower	David		X		X	++	^^		X			X	B
	Gordon		X		X	-	^^^			X	X		B
	Norm		X		X	++	>		X		X	S	
	Rita		X		X	++			X	X	X	X	B
	Victor	X	X			++	^^^		X	X			B
No identified strategy	Charles				X		^^^						C
	Ethan				X								C
	Gabrielle				X								
	Ian	X			X	+				X			B
	Samuel		X		X				X		X	X	B

Note. Tax Savings: - = not important; + = somewhat important; ++ = very important.
 Investment approach: ^ = short-term; ^^ = medium-term; ^^ = long-term; > = social impact.
 Family involvement: S = spouse or partner; C = children (or grandchildren); B = both.

Results

We anticipated that because DAFs offer so much flexibility, we would find different giving strategies. Andreoni and Madoff (2020) noted that “DAFs operate in practice like a combination of a charitable investment, savings, and checking account.” Similarly, we identified three models for DAF giving, but we liken these models to different types of water receptacles—tubs, tanks, and towers. We use the water receptacles analogy to illustrate the functional differences of DAF strategies and to represent the utility and potential value of funds being held in DAFs over various ranges of time. Like money, water maintains its utility over time, so holding onto money in an account can be likened unto holding water in a receptacle.

Tub donors use a DAF in the short term for the immediate redistribution of funds, with an approximate shelf life of 1 to 2 years. (We acknowledge that we borrow this analogy from the executive director of a community foundation who shared their moniker “bathtub donors” with us when discussing the common observations of short-term DAF donors.) *Tank* donors use the DAF for a wider range of time, with shelf lives ranging from approximately 2 to 10 years, but still considering the full amount of money in the account for potential use. *Tower* donors use the DAF for long-term, sustainable grantmaking (typically a shelf life of more than 10 years), and include but are not limited to donors who use endowed DAF accounts. Sometimes donors will simultaneously exhibit two of the strategies, resulting in hybrid types. It is also important to note that the analogy is limited to representing the timing of DAF giving and does not apply to the capacity of DAF giving. Some tub donors may give millions of dollars per year, while a tank donor gives a few thousand over multiple years. So, the models are not based on capacity, but on the timing of contributing and grantmaking.

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In the following sections, we define each of the models and then explain strategies associated with each model for both contributing and grantmaking. Within each section on contributing and grantmaking we identify the factors that we found to be related to each part of the strategy, such as the kinds of assets they contribute, the types of grantmaking they do, the relative importance of tax savings, investment strategies, and family involvement. We also find several differences, suggesting that donor strategies may include variation. At the end of each donor type, we explain different patterns for intentionality around their DAF strategy and some indications of different motivations. Finally, we explore the evidence for hybrid approaches involving multiple strategies.

Table 3*DAF Timing Models with Giving Strategies and Characteristics*

	Tub (1–2 years)	Tank (2–10 years)	Tower (10+ years)
Contributing strategies	Mostly annual	Mostly Lump-sum	Lump-sum and other
Types of contributions	Mostly securities	Mix of securities, cash, and other	Mix of securities, cash, and other
Importance of tax savings	Somewhat important	Somewhat to very important	Very important
Grantmaking strategies	Mostly annual, some major gifts and episodic	Annual, major gifts, and episodic	Annual, major gifts, episodic, bequest
Family involvement	Sometimes	Often	Always
Investment interest	Less interested	Mixed interest	Mixed interest
Investment strategy	Short-term	Intermediate to long-term	Long-term, some social impact

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Tub Donors

Definition

Tub donors use the DAF on a short-term basis. Adam put it succinctly, “For the most part, in most situations I don’t leave very much in there for very long.” While Adam did not keep money in his DAF “for more than a few months,” the most common duration for the DAF giving cycle (contribution -> grants) for Tub donors is about one year. Una, for example, told us she “spends it down every year,” and Henry’s timeframe is “between 9–12 months.” Larry’s DAF was on an annual basis— “it will run down over the course of the year and then be replenished”—while Umar had a bit longer time horizon, keeping enough money in his DAF “to last for one to two years of how much we donate.” As mentioned above, the size of the account was not defining. For example, Kayla told us, “We give away \$5 million a year. So we put the \$5 million in, we spend it down, we put the \$5 million in, we spend it down.” The defining characteristic of tub donors was the immediacy with which they intended to redistribute the money in their DAF accounts.

Contribution Strategies and Factors of Tub Donors

All tub donors in the study made annual contributions into their DAFs. This was the most consistent pattern across all giving models. Tub donors exhibited an annual budgeting practice by setting aside money for charitable giving and then making distributions according to the budget. Larry explained how he would contribute “in the fourth quarter . . . [to] carry us through the following year.” Occasionally, tub donors would also add more to their account to meet increased demands or maintain a sufficient balance, like Henry, who said, “I find out there’s no money left in it, and I put a little more in it.” We call these additions *maintenance*

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contributions. Sometimes the budget was predetermined by supply-side considerations, such as a set percentage of income that was to be given to charity. Adam compared giving through his DAF to tithing and would “just contribute ten percent of my income.” Carissa and her partner had a goal for how much to put in every year. She explained, “When the year ends, and we haven’t hit our goal, we’re like, ‘Oh my gosh, we still need to give another, you know, \$10,000.’ And then we’ll put it in the DAF so that we can hit our goal.” Tub donors continually (at least annually) add more contributions to their DAFs.

By and large, tub donors used appreciated securities to contribute to their DAFs. When asked what they use to fund their DAFs, tub donors typically responded as Janet did, “It’s usually stocks.” Katherine used a National DAF and “could transfer stock over from my [Company] account into my DAF at [Company’s Charitable branch] online.” Kayla explained how she and her spouse “put one transfer of high-value stock into the donor-advised fund once per year, and then I make the distributions over the course of the year.” A few tub donors also contributed cash, but that was less common.

Tub donors seemed to be generally aware of tax implications. For them, the DAF was a way to easily contribute appreciated securities to realize the deduction and avoid capital gains. Martin and his wife meet with their accountant and decide how much to give every year; he said their DAF “enables us to do it in a sort of tax efficient, tax planning way.” Umar told us he “changed [his] investment strategy . . . just for the sake of that tax optimization” in the way that he chooses which securities to contribute to the DAF every year. However, only six out of our 18 tub donors indicated that taxes were very important to them. The others mentioned taxes in passing or not at all.

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Grantmaking Strategies and Factors of Tub Donors

Almost all tub donors told us about charities they contributed to on an annual basis. Umar supported “two major organizations that we give the most money to each year.” Abe “set up \$1000 per month donations”—a feature that many DAF donors find convenient. Many of them shared how they made episodic donations according to the circumstances. In response to a question about whether the COVID pandemic had changed her giving, Shayla explained, “Yes, we’ve increased our giving dramatically.” Although it less common for them to do so, tub donors also made major gifts; for example, Isaac made a “big gift [to a school], \$65,000, that’s part of a pledge for a capital campaign, as well as annual giving.” Of the 16 tub donors, four made major gifts and nine made episodic gifts. So tub donors did make a variety of types of grants, but annual support donations were by far the most common.

While most of the tub donors were aware that their funds were being invested in some way, the majority did not express much interest in how the funds were invested. Una told us bluntly, “To be perfectly honest? Yeah. I don’t track.” Walter said, “I’ve never worried about that.” And Henry explained why he was not that interested: “I don’t even really think about the investment because . . . I think of it like cash basically.” For most tub donors, even those with strong financial backgrounds, the investment strategy was not important because of how short-term they thought of the money. Quinton explained, “I’ve never really cared really about that. I’m sure we selected at some point to be in some generic fund that they have.” There were a couple that chose to have the DAF money invested in social impact funds. Martin moved some of their DAF activity from a community foundation over to a sponsor that focusses exclusively on impact investing.

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About half of the tub donors talked about involving family in their DAF giving. A few involved children, mostly for annual grantmaking decisions. And more commonly donors involved spouses or partners. Travis explained, “The two of us sit down, we pull out the list from last year and we say, ‘Is this what we want to do?’ Generally, each year, it goes up a little bit, each one of them.” Compared to other strategies, however, family involvement was less important for shaping the tub giving strategy.

Motivations and Intentionality of Tub Donors

Why do tub donors use their DAF so quickly? The most evident explanation we have for the tub strategy is that donors have an established philanthropic plan and that the DAF simply makes it more convenient and cost effective for them to carry out their plan. In other words, tub donors would still give to the same charities every year and still make the same major gifts even without a DAF, but the DAF just makes it easier to do and easier to realize the tax benefits. Henry used securities to support his favorite charities every year and explained how the DAF just simplified that process for him:

I like to give appreciated securities because of tax advantages and it’s nice to be able to do that once a year with a professional organization that’s fully set up to handle that rather than dealing with every single charity. . . . a lot of the charities that I deal with are very small and so it’s a big undertaking for them.

Notice how Henry points out that the DAF also makes it easier for some of the smaller charities to not have to handle the receipt of appreciated securities. When asked if he would use the DAF for any future or long-term giving, Henry replied “No. That's all I plan to use it for. I mean, it's not very imaginative, but it works. It works so well. It's just very convenient.” For tub donors

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its mainly the convenience of aggregating all their contributions into one account, and then redistributing on a regular basis.

A few donors mentioned other motivations to move money quickly through the DAF. Umar was motivated by fees to keep money moving through his DAF but also kept enough in the account to avoid extra fees; he explained, “Over the next two years . . . it’ll drop the close to zero . . . where they start charging me an extra fee, then I’ll make sure to put more in it.” Ophelia was also sensitive to the fees that DAF sponsor charges: “I feel like I don’t want to have much money in there. [The DAF sponsor] is paying me something on the assets invested, but they’re also charging me a fee.” Another motivation for Ophelia to move the money quickly related to the causes she supported: “There’s a short-term calendar, . . . the causes I care most about tend to be climate, environment, and also electoral reform. So, there’s no reason to want to keep money to give away five or ten or 20 years from now.” As indicated in Table 3, tub donors also seemed less interested in the investment options. They had set plans and budgets for their charitable giving, and DAFs were just the most convenient tool to use. Beth summed up the tub strategy succinctly: When asked about the timing for the money currently in her DAF, she simply said, “Definitely short-term.”

Tank Donors

Definition

Tank donors used their DAFs in many ways and exhibited more flexibility in how they used their DAF, which makes this group harder to define. Unlike tub donors, tank donors did not have clear, short-term strategies to use all the funds in their DAF. Tank donors typically had more money in their account than they were planning to give away in the next year or two.

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However, they did not have a specific plan to preserve their DAF account for specific long-term goals (unlike tower donors, who will be discussed next). This mid-range group of donors reported a wide range of philanthropic timing with their DAF giving. Some had 2- to 5-year plans, some had 10-year plans, and some had no clear plans at all. The variety of timing and the ambiguity around timing characterize this less defined and more complex group of DAF donors.

The ambiguity around timing should not be confused with a lack of philanthropic desire, intentionality, or even urgency. Rather, tank donors are simply in the middle of a decision-making process that may involve more time. They have more resources than are needed for their immediate goals and are still deciding how to use the rest. Most tank donors in our study were actively grantmaking, but they were also developing future philanthropic plans. They were trying to decide what to do with their DAF resources beyond their immediate circumstances.

Consider how Janet and her husband perceived their use of the DAF:

For us it was a way to make a large philanthropic gift and at the same time, take a little more time to figure out how we were going to use it, because we couldn't decide right there on the spot, it wouldn't have been responsible, right?

So tank donors are, quite literally, taking their time. They are using the DAF vehicle to gain time to make more strategic (or, as Jane says, "responsible") philanthropic decisions.

Contribution Strategies and Factors of Tank Donors

The need for time, as in Janet's case, is typically precipitated by a liquidity event or life event leading to a large philanthropic transaction. We refer to these contributions based on liquidity events and life events as lump sums. This "lumpy" approach allows donors to take advantage of tax deductions when a liquidity event occurs but then smooth out their giving

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over time. Reese said, “I think of the DAF more as sort of one time . . . lump sum gifts.” The lumpy contribution pre-funds multiple years of giving. Payton explained,

Usually when I got a big bonus, or had big stock option gains, I would give large amounts to my fund, and so now the fund is big enough to support several years of giving even if I don’t make additional contributions.

Notice how Payton mentioned at the end of this quote the possibility of additional contributions. We found that tank donors would indeed make lump-sum contributions and then add annually as well. Because tank donors use lump-sum contributions into the DAF, they will have more assets within the DAF that they can use in their immediate grantmaking phase. The flexibility of the DAF vehicle allows donors to then decide their own timing strategy.

The timing for tank donors varies according to circumstances and personal giving strategies. Bill recently retired and realized a retirement benefit that resulted in a sizable bump in his income. He explained, “The reason why I did it last year was I received the last big payment from my deferred compensation.” Bill knew that he wanted to use some of this income for charitable giving, but he needed time to realize that intention. He calculated the amount of charitable giving that he projected over a certain time, and then he contributed that amount into the DAF: “I really projected what I’m going to give over the next 8–10 years, on an annualized basis.” The DAF allowed him to smooth his charitable giving over time.

Not every tank donor had as a long of a timeframe as Bill. Consider Yael, who sold a winery and predicted about 2 to 3 years’ worth of giving from the proceeds of the sale that went into the DAF:

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We don't have a donor-advised fund where the money just sits there, it pretty much gets spent within a year or two of putting it in there. Probably. Well, I should say three years of putting it in there. We sold the winery I guess almost two years ago. And when we did that, we put a bunch of money in the donor-advised fund, so we could mete it out over years, but we're just finishing that chunk of money.

Notice that Yael's approach differed from that of tub donors in two ways. First, her contribution into the DAF was tied to a one-time event (the sale of her winery) rather than a regular pattern of annual contributions. Second, the timing of her grantmaking, while similar to the clip of a tub donor, was less defined. Yael used words like "probably" and "I guess" and estimated "a year or two" and then "I should say three years," whereas tub donors used words like "within 9–12 months" or "by the end of the year." Yael used the DAF as a temporary holding tank for a "chunk of [charitable] money" that she "could [then] mete it out." The timing here was shorter than Bill's, but the smoothing pattern was the same.

In addition to the timing advantages of using a DAF, tank donors also frequently identified the tax advantages of using a DAF. Yvonne, who had lost her husband and had set up a scholarship in his name, realized the significance of the tax advantages when "the tax law changed, and the standard deduction went up," at which point her "tax advisor said, 'You ought to do this.'" In her case, the tax implications directly increased the amount of money she was willing to contribute; she explained, "What I normally give was . . . anywhere from \$3,000 to \$5,000 a year. . . . Now we're up to . . . for instance, my last contribution to my husband's scholarship fund was \$25,000." Heather indicated how important the DAF vehicle was to her and her husband's situation when realizing a large capital gain: "When [Company] went public

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in 2012, we created our donor-advised fund because we were fortunate that [Husband] was there early enough to have options, which makes creating a donor-advised fund [especially] tax advantageous.” Tank donors discussed the importance of tax advantages more than tub donors, likely because their contributions were more often lump-sum contributions and had more significant tax implications.

Grantmaking Strategies and Factors of Tank Donors

Tank donors had more ambiguity to their timing but also had more flexibility in their grantmaking. Many of the tank donors made regular annual donations. For example, Zoe used her DAF to “give yearly to our church that we belong to here.” Abe “started giving to [his children’s nursery school] also, and that was \$20K a year.” But with more resources in their DAFs than needed to meet immediate philanthropic demands, tank towers made more major gifts than tub and tower donors, which typically require more time to develop. Jocelyn took the time to structure a gift to one of her favorite nonprofits, her “first love in [the field of] girl’s education.” She shared, “I wanted to use my DAF and structure a gift where I’m going to give \$30,000 a year to them for 10 years.” Many tank donors more readily made pledges.¹ Katherine made pledges as her grantmaking strategy coupled with a contribution strategy for how to fulfill them: “We made pledges to our church, to some schools, et cetera, and so moving in the appreciated securities that will fund those gifts over the next couple of years as we pay out the pledges.” Olivia and her husband also made large pledges to causes they care deeply about: “We both believe in giving back to our universities and making sure that they help the next

¹ Note that DAF donors often make informal, not legally binding, pledges to charities and use their DAF to fulfill those pledges. If the pledge is not legally binding, the grant from the DAF is not considered private inurement (Nusbaum, 2019).

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generation of students that they're able to support. So, we both have given multimillion dollar gifts at our universities."

Not only did tank donors make more major gifts than other DAF donors, but they also made more episodic gifts. Wendy, mentioned earlier, and her husband increased their grantmaking significantly in response to the COVID pandemic and to the Black Lives Matter movement. She told us,

Yeah, it's interesting. If I look at my giving from March [2020] to now, . . . we started giving to immediate-needs type organizations, so food banks, community organizations, educational Institutions that were pivoting to distance learning. Even to some of our regular organizations that we give to, we just accelerated our giving knowing that the need is so high right now. Then, it started to morph into political, partly with Black Lives Matter, but partly with voter suppression has been a big focus for me. This idea that, with shelter-in-place and COVID-19, voting is at risk. So, really wanting to push to the mail-in voting. I think with the election coming in November, that really heated up also.

Several things are noteworthy in this quote. First, she started giving to multiple new causes for different reasons: pandemic, social movement, and political exigency. Notice the word *morph* when describing her shift towards Black Lives Matter. Second, she increased her giving to organizations that she had previously been supporting but now for new reasons. Third, she was able to make all these pivots within months (from March to before November). The DAF enables tank donors with capacity in their accounts to respond quickly to emerging philanthropic opportunities.

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While Wendy was able to act quickly, other donors use the time that DAFs allow them to engage with nonprofits they support. Consider this quote from Janet, who used her DAF in conjunction with a private foundation to support multiple causes:

Then as I became more and more philanthropic, I learned more and more about the field, about capacity building for nonprofit organizations, and I became involved with a lot more nonprofit organizations, and I was part of [a venture philanthropy organization], I still am. I also worked with [University] on some fellowship programs, I mean, I was doing a lot of work on the ground. Getting to know these organizations.

Janet “became more philanthropic” over the years as she used her time to discover how to best use her DAF resources.

Motivations and Intentionality of Tank Donors

There seem to be two kinds of tank donors: those who intend to be a tank donor and those who fall into the tank category because they do not match the tub or tower definitions. Thus, tank donors range widely in their motivations and intentions. Tanks donors in the study did not explicitly express a strategy to preserve the DAF resources (which will be discuss in the next section on tower donors), and they did express some intention to grant the money out in the near future. Some just had a more definite plan than others, and some with shorter time frames. Yael’s quote from above expresses an intent to grant the money from her winery within two to three years. Elliott, who represents the longer range of our tank continuum, told us after contributing compensation from a good year at his company plus their corporate matching contributions, he would “maybe spend it 10 years from now.” While 10 years may seem like a long-range strategy, Elliott had also made short-term commitments from previous years’

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contributions and did not have any intention to preserve the assets, unlike the next group of donors.

Tower Donors

Definition

The least common group of donor type from our interviews (five out of 48) was tower DAF donors. Like a water tower that provides a reliable, sustainable water source to a community, tower donors seek to establish a sustained source of philanthropic resources in their DAFs. We defined tower donors as those with a strategy for their DAF resources to be used for a period exceeding 10 years. Note that tub and tank donors may intend to use the DAF vehicle for more than 10 years, but they intend to use the assets within the DAF in a shorter time horizon. Tower donors plan for the current resources in their DAF to last more than 10 years to support long-term philanthropic objectives. Tower donors in our study expressed an intention to preserve the resources for future giving.

When asked about future plans for the DAFs, some tower donors answered that they intended to “spend it down” within their lifetime, some had plans to bequest their DAF funds to charities, and some had plans for next-generation family members to continue to use the DAF resources. It is important to note, however, that almost all of the tower donors actively made grants out of their DAF; many made annual grants as well as major gifts and episodic donations. So, even though tower donors had long-range plans, they also used the DAF for short-term giving.

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Contribution Strategies and Factors of Tower Donors

All tower donors funded their DAF with lump-sum contributions. Norm “put in a little over a million dollars in stock, highly appreciated stock, so liquidity event.” A few tower donors also made annual and/or maintenance contributions to their DAF. Some tower donors mentioned “other” contribution strategies. A couple of these were related to corporate philanthropy programs. Elliott added to his DAF in years when he could “maximize the match opportunities by my company by being able to kind of adjust my contributions each tax year.” Rita’s company “gave every single employee their own \$2500 DAF.” Gordon had a more personal experience. He told us, “My wife celebrated her 60th birthday. . . . We said instead of gifts, please give to the [Last name] family fund that we have down at the Community Foundation.” While tower donors seem to follow similar patterns for contributing to a DAF, it may be that they are more influenced by external circumstances like workplace incentives.

Grantmaking Strategies and Factors of Tower Donors

Although tower donors maintained long-term plans for their DAF, almost all the respondents were actively granting from their DAF at the time. The biggest difference between the tower donors’ grantmaking and the others’ were the proportion of their grant amounts compared to their total DAF resources, or the payout rate. A few had specific payout rates that they adhered to. David told us, “I set myself up a budget of 5% a year”; Gordon said, “I think it’s 4.5 or 5% that we give each year to charity”; and Norm explained that he grants about 5–10% per year. Note that none of these donors’ DAFs were formally endowed DAFs, which can be common at some community foundations and other DAF sponsors. The other tower donors did not have defined annual budgets for grantmaking but were actively grantmaking.

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The types of grants we saw from tower donors resembled those of the tank donors. Tower donors made annual donations to charities, major gifts out of their DAFs, and responded to episodic opportunities for grantmaking. Norm explained how he uses his DAF to make multiple-year commitments:

Quite often we do [multiple-year commitments], . . . smooth out the bell curve of where your funding is going. The charity or the non-profit can [ask us] for \$50,000 even though we're giving \$10,000 each year for five years, and it's just an accounting thing for them, but it helps them in their campaign or whatever it might be.

Here, Norm used the term “smooth” in referring to demands on his DAF account. He is intentionally trying to preserve his principal in the DAF so that he can maintain a certain level of grantmaking over a long period of time. Rita was using her DAF in part like a savings account for a major gift: “One of the charities that I’m involved with, they’ve got a capital campaign coming up. I know they’re going to ask me for a million dollars. I mentally have some of those things set aside.” But she also used her DAF to respond to episodic needs: “Any time I see that there’s an emergency out there, a hurricane. I click, click, click. I send some money to the [relief charity].” Clearly these tower donors are actively using their DAF while also maintaining a long-term strategy.

Motivations and Intentions of Tower Donors

While all tower donors took a long-term approach to their DAF giving, some had clear preservation strategies to maintain a corpus in their account, while others seemed less concerned about preserving a certain balance. David explained his preservation strategy and the benefit that he sees to taking this approach:

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I want the fund to stay stable and even grow, if possible, which it has been doing. . . . In fact, I have given away to various charities around \$500,000.00 since this was set up. It's been five years since we set it up in 2013. I've given away about \$500,000.00, and the fund is still larger than when I created it. Because of the wonderful stock markets. So that's a great system to give away that much money and have more in the funds than you started with.

Not all tower donors, however, were as fixed on preserving the assets. Gordon also expressed his desire to have his DAF grow, if possible. When asked about the purpose of the growth, he said one day he and his wife hope to make “a couple of larger donations to organizations in the [region].” So tower donors ranged in their intentionality about asset preservation.

Tower donors also seemed to place more consideration on their post-mortem plans—what happens to the DAF assets upon the death of the primary advisor(s). Two of our five tower donors clearly articulated their post-mortem plans, and almost all of them had plans to involve family members. Rita had designated a certain percentage of her DAF assets to her alma mater upon her death and left her partner as the successor advisor. David planned make a bequest to his church and then distribute the rest in equal parts to DAF accounts of his nine children. Gordon and his wife took a different approach; they had a pre-mortem plans to terminate their DAF. He explained, “When we get too old to make those kind of [grantmaking] decisions, we'll probably give everything away.” Because of their long-range strategies, tower donors were more intentional about their future plans for their DAFs.

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Hybrids

Some donors in our sample used multiple strategies to the DAF giving. These hybrid strategies were generally mixes of tub/tank or tank/tower. For example, one tub donor had a particularly large capital gain one year and contributed a lump sum larger than their regular annual grantmaking. They continued to make their annual commitments but would supplement their grants with increased amounts, new projects, or gifts to new organizations as long as the surplus lasted. Denise took a tub/tank hybrid approach by using two different DAFs. She explained, “[One DAF] is going to be my checking account of DAF, and [the other DAF] will be my savings account DAF.” Even though she used the term “savings account,” she did not follow a tower strategy for the second DAF. She told us that after a few years, “I gave it away. It went to zero.” Other tub/tank hybrid donors exhibited both strategies within the same DAF; again, our unit of analysis was the donor and not the DAF account.

The tank/tower hybrid donors saved a portion of the DAF assets for long-term philanthropic objectives, like family involvement, while continuing to grant away a portion of the DAF in the short term. Reese took this approach with her DAF which she set up after her husband passed away: “We started talking about the DAF while he was ill, and it was established shortly after he passed.” She focused on local community projects: “The purpose of my giving is community building. And within community building, because it is such a large scope, I’ve narrowed it down to community building through creativity, sustainability, and equitable empowerment.” She used the initial contribution as a corpus for long-term sustained giving, and then she moved lump sums in from time to time. The whole process has been an emergent strategy as she discovers what works best for her.

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I started out with basically a chunk, . . . and the idea was to see if this was the right organization and the right vehicle to do it with. I think jury is somewhat still out. I have actually added to it since it was started in 2018. And I'm continuing to evolve what that looks like.

The flexibility of the DAF allows donors to implement multiple philanthropic strategies within the same vehicle. Moreover, those strategies can evolve over the lifetime of the donor.

Discussion

Limitations

Five participants in our sample were not easily categorized. Two of them did not have (or had not yet developed) a strategic approach: The first was a brand-new DAF user who had just set up the DAF within the year, and the second conducted most of their charitable giving through a private foundation and would move money from the foundation to the DAF in years when he did not spend the minimum 5% payout on grants. The remaining three uncategorized participants were actively grantmaking from their DAFs, but the interviews lacked sufficient detail to determine how they were using or intended to use their DAFs.

The conclusions drawn from this study should be considered within the broader landscape of DAF and donor research, as generalizability is not a goal of qualitative research (Ravitch & Carl, 2016). It is possible that there are types of DAF use that we did not come across. The findings from this study are limited to DAF donors who are actively using their account. Our purposive sampling led us to donors engaged in philanthropic activity who were willing to talk about their use of the DAF vehicle. We did not interview DAF donors who have resources in their DAF but may not be currently using the vehicle. We also acknowledge that

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because of well-known criticisms of DAF donors for not giving from their accounts, which several participants brought up in the interviews, there was a social desirability bias to report DAF activity rather than potential lags in activity.

This research takes an admittedly donor-centric perspective. We focused on the benefits and advantages that DAFs offer the donor, and we tried to understand how these benefits shape an emerging form of philanthropy. We acknowledge that DAFs disrupt traditional patterns of philanthropic giving and traditional models of community philanthropy. There are several issues throughout this paper that are cast as positive features for donors, but which could be negatives for nonprofits, community organizations, or the public good in general—anonymity, tax advantages, and especially the timing of philanthropic resources. We have not specifically addressed these negatives in this paper because they are beyond the scope of our research objectives. Future research can use our findings on donor strategies with DAFs to investigate these challenges with a more informed approach.

Applications

The tub, tank, tower strategies provide a conceptual framework that may be useful for nonprofit managers, fundraisers, DAF managers, donors, and policymakers. Nonprofit organizations that receive grants from DAF donors are learning how to deal with the increase of DAF giving. Professional fundraisers can use the findings from this study to identify the various strategies that their donors may be taking to give through a DAF. Gift officers should discuss DAFs with current and prospective donors and ask questions about how the donors use their account. If a gift officer knows that a donor uses the tub strategy, then they may ask the donor to establish an automated grant from their DAF account. Many platforms allow for scheduled

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and recurring grants. If the donor has made a lump-sum contribution into the DAF and exhibits a tank strategy, then the donor may be more likely to consider a major gift proposal or be open to a new project, because they have slack in their DAF, or more money than they are currently planning to give away. If a gift officer recognizes a tower strategy through discussing DAF giving with their donor, they may continue to solicit annual donations or a major gift on a multi-year commitment, but they will certainly want to discuss the possibility of bequests by naming their nonprofit as a charitable remainder beneficiary to the DAF. Fundraisers should be aware of family involvement with DAF strategies and the donors' motivations and intentions in using the DAF vehicle, so they can craft their solicitations accordingly.

DAF sponsor managers may be able to use the findings from this study to look for patterns in their own donors and adjust their services and internal policies to meet the range of needs from various donors. Donors themselves may use this framework to understand their own strategic approach to using a DAF and may consider being more intentional about their DAF giving. Policy makers may find these donor strategy profiles helpful as they consider how regulations may or may not affect certain groups of donors.

Conclusion

By conducting in-depth interviews with DAF donors, we have identified patterns of DAF giving that explain different timing strategies that donors use. Some donors use the DAF almost immediately after funding it and then repeat regularly, like filling and draining a bathtub. Some DAF donors add lump-sum amounts that are larger than what they can immediately use and then grant out the funds over a period of years, like a water tank supplying multiple uses of water. Some donors put large amounts into the DAF and then regulate the flow of money so

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that the DAF can sustain long-term philanthropy, like a water tower that exists to sustain long-term needs of a community. Donors use these strategies in ways that range along a continuum of DAF timing, and they sometime use multiple strategies at once with the same DAF account. Donors may change their strategies according to life-cycle events, like retirement, or other circumstances, like a change in employment.

The multiple advantages that DAFs offer to donors, especially the flexibility in timing, facilitate a wide range of philanthropic strategies within the same intermediary vehicle. Those who work with or interact with DAF donors may find that customized approaches may be needed for fundraising, managing, or regulating this increasingly popular way to give. The patterns discovered from these interviews help us along our learning curve in understanding DAFs.

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