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# To give now or to give later? That's the debate roiling philanthropy today.

## Thanks to donor-advised funds, Fidelity Charitable is now the country's largest public charity. But critics say these accounts can warehouse billions of dollars indefinitely without reaching charities.

**By Thomas Lee and Macie Parker** Globe Staff and Globe Correspondent, Updated March 9, 2024, 6:00 a.m.

Fidelity has pioneered the use of donor-advised funds since 1991, philanthropic savings accounts that which have grown in popularity but have also drawn criticism for warehousing charitable dollars without deadlines to give them to charities. PHOTO ILLUSTRATION BY SHARON CHEN/ADOBE STOCK

For nearly 20 years, Jim and Karen Ansara in Essex have donated at least $1 million a year to causes ranging from building homes for the poor to aiding Haiti.

But the Ansaras, who owned Shawmut Construction until selling it in 2006, have recently rethought their strategy: they had been using a popular kind of philanthropic savings account to gradually distribute their fortune to nonprofits. But with so many pressing global needs such as climate change and poverty, they now hope to empty their account, known as a donor-advised fund, sooner rather than later.

“We think it’s important to get the money out the door because the problems in the world are so severe,” Karen Ansara said “Why hoard the money for the future when the world is already on a precipice? We’re trying to avert a global catastrophe.”

The Ansaras currently hold nearly $10 million in their donor-advised fund. And unlike many donors, who want to eventually pass on control of the fund to their children, the Ansaras plan to donate all of that $10 million to charities in the near future.

In many ways, the Ansaras’ philanthropic evolution echoes a broader debate raging in charitable circles today: to give now or give later? That debate has taken on a sense of urgency as overall giving has fallen while hundreds of billions of dollars sits unused — often growing with investment returns — in donor-advised funds.

From 2014 to 2019, donors placed $300 billion into donor-advised funds and private foundations that they would have normally given directly to charities, a Boston College study estimated.

The rising popularity of such funds stands in stark contrast to the giving practices undertaken by novelist and billionaire MacKenzie Scott. The ex-wife of Amazon founder Jeff Bezos has been shaking up philanthropy by moving to rapidly give away almost all of her estimated $40 billion fortune. Other billionaires like Warren Buffett and Mark Zuckerberg have pledged to give away their money but critics say they are moving too slowly.

“She’s a role model for all philanthropists,” Ansara said.

Thanks to donor-advised funds, Fidelity Charitable in Boston has become the country’s largest public charity — a distinction it has held for the past decade. Since 2021, the nonprofit has taken in over $40 billion in donor contributions, according to its financial reports. Last year, it distributed $10.3 billion in grants to charities.

Donors are drawn to DFAs because they can receive an upfront tax deduction of up to 60 percent of their adjusted gross income the year they deposit assets into the account. An organization like Fidelity or Charles Schwab invests those assets in stocks and bonds. Donors then decide when and where to distribute the funds, including any interest and investment gains that accrued in the account. The money must go to charity but unlike private foundations, donor-advised funds have no legal obligation to pay out a specific percentage of assets each year to charities.

Donor-advised funds have "revolutionized" philanthropy by making it easier for people to give to charities, said John Graham, a partner with Sullivan & Worcester law firm in Boston, who specializes in charitable giving.
An organization like Fidelity Charitable can handle burdensome administrative tasks like tracking the value of donors' assets, including real estate, cryptocurrencies, stock, and business stakes, Graham said.

For example, a person wants to contribute restricted stock to a donor-advised fund at Fidelity. The nonprofit would work with the company that issued the stock to allow the trade. Fidelity then could sell the stock to another investor and place the proceeds in the donor's account.

Proponents of the funds argue they incentivize larger donations and help sustain nonprofits long-term.

But the BC study found the funds are actually taking in billions of dollars that donors would have historically given directly to charities.

"Though more funds are flowing into, and growing in, private foundations and donor advised funds, there is no evidence that charities have benefited from this trend," Ray Madoff, director of the Boston College Law School Forum on Philanthropy and the Public Good, wrote in the report.

"Charities don't want money to just sit in an account," Madoff added in an interview.

Some in Congress are uneasy about the generous tax breaks associated with donor-advised funds. One bill under consideration is the Accelerating Charitable Efforts Act, which would heavily tax donors if they fail to pay out the entirety of the fund to charities within a set number of years.

Critics say donor-advised funds should release more money now, especially since overall charitable giving has declined. In 2022, individual gifts fell 13.4

percent from the previous year to $319.04 billion, when adjusted for inflation, according to Giving USA.

Even some donor-advised fund holders acknowledge the need to release money to charities faster. Since 2020, #HalfMyDAF — founded by a former Microsoft and Amazon executive and his wife — has offered matching funds to selected donors who commit to spending at least half their accounts each year. #HalfMyDAF says it has led to $50 million going to thousands of charities.

Critics also say the donor-advised funds mostly help big Wall Street firms like Fidelity earn fees regardless of whether any money actually flows to charities.

Fidelity Investments launched Fidelity Charitable, a nonprofit organization known as a 501(c)(b), in 1991. But the two entities are legally independent of each other, each with its own board of directors and executive officers.

However, the two share a close relationship: Fidelity Charitable frequently hires Fidelity Investments to invest money from its donor-advised funds. The nonprofit estimates half of the assets in its donor accounts are managed by Fidelity Investments. And Fidelity Investments often refers clients who are interested in philanthropy to Fidelity Charitable.

As a result, the two organizations generate plenty of fees. Fidelity Charitable, for example, earned $176.2 million last fiscal year from fees, according its financial statements. And Fidelity Charitable paid Fidelity Investments another $121.6 million for administrative and investment services in fiscal year 2022, tax records show.

"The money sits in the portfolios, earning income for the fund, and for the investment managers and administrators who take out fees from that money," said Chuck Collins, director of the Program on Inequality and the Common Good at the Institute for Policy Studies in Washington, D.C.

He estimates $1.4 trillion of charitable dollars is currently "warehoused" in private foundations and donor accounts.

Fidelity Charitable says its donors distribute significant money to charities. Over the past five years, the nonprofit said it annually paid out 22 to 27 percent of its assets to charities.

And while there is no legal payout requirement, Fidelity Charitable said it has a "strict" policy that each donor-advised account must make at least one donation to a charity every two years. In addition, the nonprofit requires 5 percent of all its assets be paid out each year.


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Should a donor-advised account stay inactive after two years, Fidelity Charitable said, it will unilaterally pay out 5 percent of the account's balance to charities previously approved by the donor or selected by Fidelity itself.

Overall, donors appreciate the funds' flexibility and the ease of maintaining consistent, long-term support to charities, said Colby Bircher,a vice president and charitable planning consultant at Fidelity Charitable.

"It allows donors to really time their contribution to get a maximum tax deduction but then it allows them to support the charities they care about at any time," Bircher said.

Marci Sindell, a former health care executive who lives in Needham, opened a Fidelity fund in 2006 after selling shares of a company. Each year, she has been able to distribute a steady amount of money, boosted by her account's solid investment returns, to the Greater Boston Food Bank, where she's a board member.

"It turned out very well," Sindell said. "I'm able to give a regular stream of philanthropy and time it in a way that works best for me."

Sarah Hidey, chief development officer for the refugee-resettlement organization RefugePoint in Boston, said the majority of the charity's mid- to major-level donors give through either a donor-advised account or a personal foundation.

“Is it more valuable and effective to donate $20 million to a nonprofit at once or donate the money over time?” Hidey said. “I would argue [the latter] is more effective. It helps with nonprofit sustainability and allows the donor to be more strategic about how and who they want to give to without the pressure of time.”

However, experts say that MacKenzie Scott’s efforts have uprooted charitable giving, putting pressure on the ultrawealthy to more forcibly open the spigots of philanthropy.

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“I have a disproportionate amount of money to share,” Scott wrote in [a blog post](). “I won’t wait. And I will keep at it until the safe is empty.”

Instead of parking her money in a tax-friendly investment account, Scott is directly providing resources to charities that need them now, Collins said.

“She’s a great model,” he said. “She’s emptying the vault.”

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