



Accelerating Donor-Advised Funds for Philanthropic Impact in Singapore and Asia

This Philanthropy Research Report is brought to you by the Wealth Management Institute (WMI) as part of the Impact Philanthropy Partnership, a collaboration between WMI and the Private Banking Industry Group and supported by the Monetary Authority of Singapore

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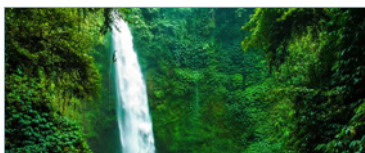
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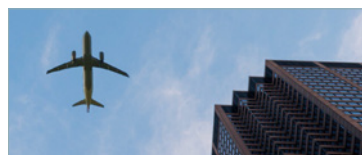
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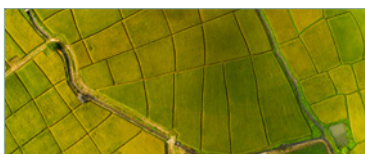
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Foreword by
the Wealth Management Institute (WMI)

Foo Mee Har, CEO, WMI

As part of the Impact Philanthropy Partnership's (IPP) commitment towards building thought leadership to advance practice in the philanthropic sector, I am delighted to share the Wealth Management Institute's (WMI) research report titled "Accelerating Donor-Advised Funds for Philanthropic Impact in Singapore and Asia".

This report builds upon the significant interest in Donor-Advised Funds (DAFs) among the financial and social impact sectors, as well as the Private Banking Industry Group (PBIG) and the Monetary Authority of Singapore (MAS). It follows the launch of our WMI introductory guide to DAFs in October 2022, serving as a testament to the growing enthusiasm and momentum within the ecosystem. Our efforts aim to identify and establish new mechanisms to support Singapore's ambition of becoming a leading philanthropic hub in Asia.

This report signals a critical step forward in understanding the value of our local DAF ecosystem for Singapore's philanthropic infrastructure. This report contributes towards consolidating the key insights on the ground, offering stakeholders a holistic perspective into the current and potential state of DAFs in Singapore. We have also explored global trends and benchmarked the experience in the United States as a critical case study to extract vital lessons to nurture a robust and diverse DAF ecosystem for Singapore. These include the potential for DAFs to accelerate philanthropy by providing flexibility, convenience, and cost effectiveness in structuring one's giving. This report also aims to empower partners and stakeholders to make strategic and informed decisions that shape the trajectory of DAFs in Singapore. We hope that this report also highlights the role DAFs can play in diverse philanthropic scenarios in Singapore.

Most importantly, this report is testimony to the collective endeavours of our esteemed partners, dedicated stakeholders and insightful interviewees in the DAF ecosystem. We extend our heartfelt gratitude to the Private Banking Industry Group (PBIG) and the Monetary Authority of Singapore (MAS) for their trust and support in making this report possible. The collaborative efforts underscore a shared commitment to elevating our understanding and influence within the dynamic landscape of philanthropy.

I hope that you will find the report insightful and look forward to engaging further as we continue to strengthen our philanthropic ecosystem together.



Arnaud Tellier
Chair, Philanthropy Workgroup
Private Banking Industry Group (PBIG)

As we commemorate the first anniversary of our philanthropic initiative, it brings me immense joy to write this foreword for Impact Philanthropy Partnership's inaugural report on Donor-Advised Funds (DAFs). This past year has been significant, heralding innovative collaborations and a shared dedication to enhancing philanthropy through strategic partnerships.

In today's world, the essence of philanthropy is evolving beyond mere monetary donations. Families are now looking to redefine giving, aiming for long-term solutions that tackle societal issues at their core. They are keen to make courageous decisions, embrace risks, and support initiatives that promise to bring about foundational change.

Wealth management plays a pivotal role in this evolution, offering tailored strategies that enable donors to direct their wealth towards societal betterment effectively. We are here to empower donors to pursue their passion for change with both confidence and clarity.

The Impact Philanthropy Partnership provides a distinctive opportunity and platform for donor families to amplify their philanthropic influence through meaningful collaborations.

The pages that follow highlight the potential of DAFs to revolutionise charitable giving. We anticipate that the findings in this report will foster continued innovation and thoughtful philanthropy going forward.

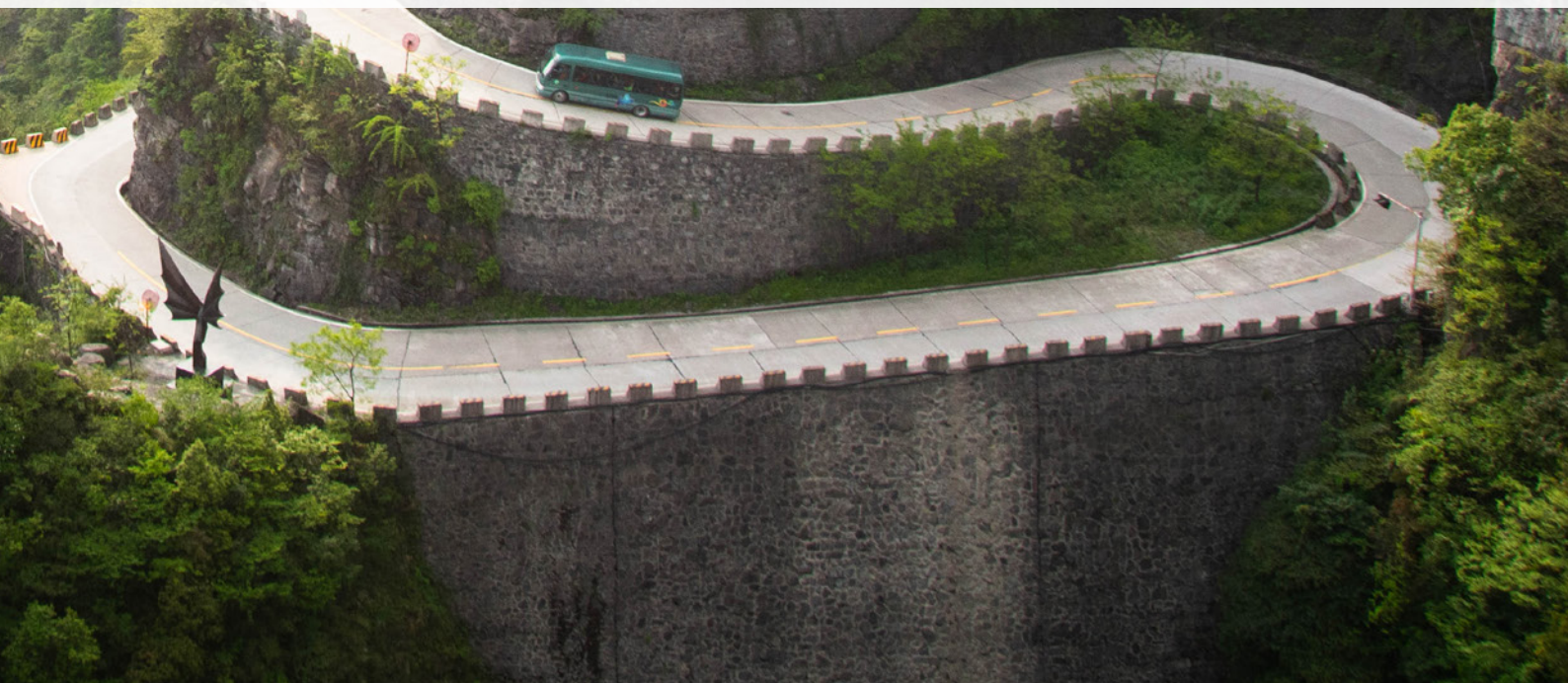
While we navigate the complexities of DAFs, we also take a moment to celebrate the partnerships that have been instrumental to our philanthropic journey this year. The commitment from our donors, the dedication of our partners, and the unwavering support of our community have been pivotal to our collective achievements.

I would like to extend my heartfelt thanks to all who have embarked on this philanthropic journey with us. Your enthusiasm, generosity, and commitment to making a difference have set the stage for a future filled with impactful and transformative endeavours.

Here's to a year of philanthropy that has been inspiring and enlightening, and to the promise of even more impactful achievements in the years ahead.



About the Report and Executive Summary



About the Report

This research report on Donor-Advised Funds (DAFs) was commissioned under the Impact Philanthropic Partnership (IPP), an initiative led by the Wealth Management Institute (WMI) in collaboration with the Private Banking Industry Group (PBIG) and supported by the Monetary Authority of Singapore (MAS). The IPP aims to build greater awareness in and momentum for philanthropy and impact capital.

This report aims to explore recommendations to grow the DAFs ecosystem in Singapore to support the ambitions of Singapore as a philanthropic hub.

DAFs have long been used as the philanthropic vehicle of choice among community foundations around the world, serving as a conduit that pools charitable assets to provide greater impact for social causes that these foundations support. In recent years, DAFs have gained much prominence due to their meteoric rise globally, particularly in the United States, becoming a preferred approach for many in structuring their philanthropic journey.

This research report draws on global experience to inform how Singapore might learn and grow the DAF ecosystem to achieve its goals of bringing more charitable assets to drive philanthropy while ensuring an overall increase in social returns out of DAFs.

The report is divided into two parts.

Part One

Focuses on covering global trends with DAFs, with a focus on the United States while drawing trends from other regions such as Europe to derive key insights that may be gleaned for Singapore's learning. Situating the United States as a comparative case, this report juxtaposes the insights with Singapore's future of giving scenarios to formulate several recommendations which will be suitable for the city-state.

Part Two

Focuses on sharing the research findings and insights from ecosystem partners and stakeholders, offering readers important insights into the ecosystem's sentiments, players involved, as well as organisational experiences with DAFs and a market analysis on DAF users.

Taken together, this report offers a deep-dive into DAF in Singapore, going beyond a descriptive analysis, and into offering context-specific recommendations for policymakers and DAF ecosystem players to innovate new legislations and/or products to drive the adoption and effectiveness of DAF as a philanthropic vehicle.

We hope this report will serve as a valuable resource for individuals, organisations, and anyone interested in the transformative power of DAFs in the realm of philanthropy. As we navigate through the various sections, you will gain a holistic understanding of DAFs, their benefits, and their role in shaping the future of charitable giving. Thank you for joining us on this insightful journey.

Executive Summary

Objective:

This report is an extensive exploratory study on the potential and steps for donor-advised funds (DAFs) to be an integral philanthropic vehicle in Singapore's aspiration to be a major philanthropic hub for Asia and beyond.

Research Methodology:

Drawing on interview findings from over 30 major DAF sponsors, financial institutions, professional services, and donors within Singapore's DAF ecosystem, the report is grounded in a foundation of real-world perspectives. The research also incorporates a comparative analysis of the evolution of DAFs in the United States.

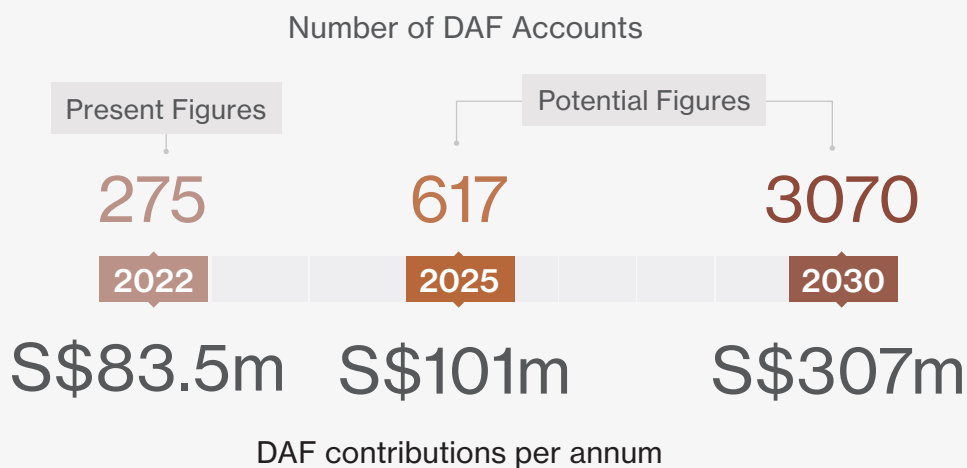
Drawing on the US experiences, seven key insights emerged:

1. Emphasising both donor-centric and grantee-centric approaches are vital for a robust Donor-Advised Fund (DAF) ecosystem.
2. Sustained DAF adoption requires addressing structural reasons beyond cause and impact, emphasising donor benefits, cost-effectiveness, flexibility, and tax advantages.
3. Enhancing support functions and technological platforms are critical but faces challenges as existing sponsors may lack incentives for full investment.
4. Encouraging high pay-out rates is essential to ensure impactful capital flows to charities and counter concerns about un-disbursed capital accumulation.
5. Intermediaries, like network convenors and charity portals, play a vital role in coordination, contingent on market capitalisation or sponsor investments in innovation.
6. DAFs are sensitive to changes in tax codes in the United States, with potential long-term distortions like "bunching" as a short-term strategy by donors.
7. The US DAF ecosystem's agility is maintained by sponsor organisations engaging with global partners, enabling cross-border giving with tax benefits.

These insights are applied to some major contextual scenarios influencing Singapore's giving ecosystem and society at large by 2030:

- Singapore faces growing inequalities and straining social cohesion across different segments of society.
- Singapore is exposed to a plethora of strong but fragmented group identities that bind some while dividing others.
- Singapore's evolving scenario offers an opportunity for robust 3P partnerships, exemplified by initiatives like the Alliances for Action (AfA) after the Covid-19 pandemic. This is made possible due to the strong and interventionist nature of the Singapore state efforts in leading trisector partnerships, often taking the initiative to convene and address issues around coordination and cooperation among societal stakeholders.
- The rise of corporations engaging in corporate social responsibility in Singapore presents a chance for increased corporate philanthropy and engagement of emerging business families, with strategic policy alignment and Donor-Advised Funds (DAFs) serving as streamlined platforms for impactful giving.
- As a potential "Social Renaissance," philanthropic intermediaries play a pivotal role, and DAFs offer a scalable platform to connect donors with social needs, facilitating quick involvement and capital deployment for societal impact in Singapore.

Estimated Growth Potential for DAF Ecosystem in Singapore Based on Projected Analysis



Nine Recommendations:



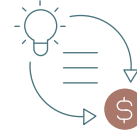
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Lower minimum
threshold for
DAF accounts



②

Invest in DAF
fundraising and donor-
centric experiences



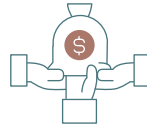
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Further market
segmentation of
DAF offerings and
business models



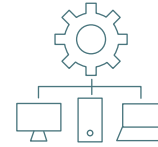
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Identify and close
innovation and human
capital gaps in the
DAF ecosystem
through innovation
and skills roadmaps



⑤

Open more ways
to deploy DAF
funds for impact-
related funding



⑥

Devise mandatory
distribution/activity
clauses or different
classes of DAFs



⑦

Increase awareness
and incentives
for DAF as a
philanthropic vehicle
in Singapore



⑧

Promote transparency
and vibrancy of DAF
funding opportunities
by creating a grant
directory portal



⑨

Align or tweak
existing financial and
charity regulatory
policies to allow DAF
sponsors to operate
in both industries
seamlessly

Report's Impact:

As Singapore strikes to consolidate its position as a philanthropic hub, this report aims to support decision-makers by equipping them with strategic insights and actionable recommendations to navigate the nuanced terrain of donor-advised funds. This will facilitate not just sustained growth but also maximise the social and economic impact of philanthropic endeavours in Singapore.



Introduction



Introduction

A Donor-Advised Fund (DAF) is a philanthropic vehicle that offers wealth owners a means to create more structure and strategy into their philanthropic pursuits. Often seen as a first step beyond ad-hoc charitable giving, DAFs require wealth owners to make an **irrevocable contribution** to a sponsor organisation managing the fund. This may include community foundations, philanthropic arms or platforms managed by financial institutions, or non-profits with a DAF platform.

Once the funds are donated by the donor and entered into the DAF, the sponsor organisation legally owns the assets. As the name implies however, the donor still has “advisory powers” over the fund donated, and these advisory privileges regarding disbursements (including recipients, grant amounts, and timing). The sponsor organisation has the sole authority to approve or deny recommendations from the donor if it does not meet legal or organisational requirements. In practice however, donors and sponsor organisations would often work together to ensure funds meet both legal requirements and desired impact parameters before funds are granted.

How do DAFs work?

Below the key steps in how a DAF works.



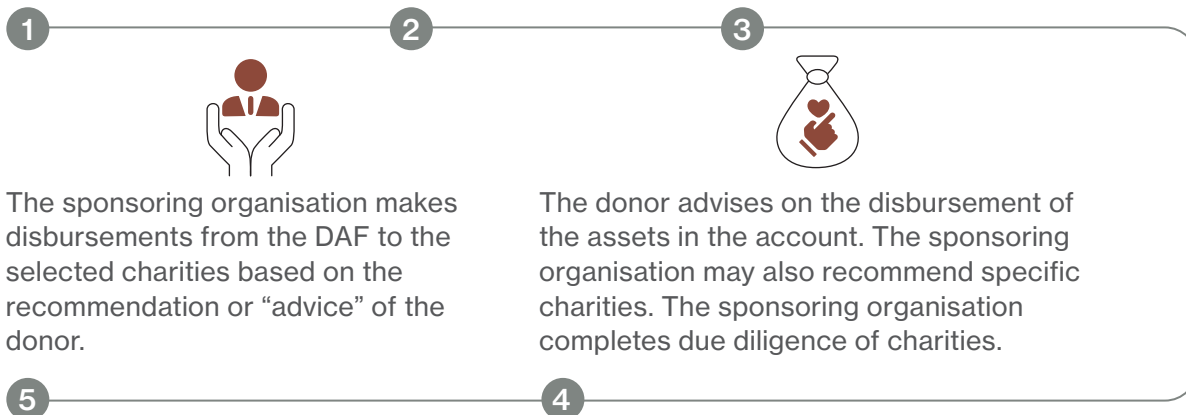
DAFs can generally be set up by an individual, a family, a company, a beneficiary of a will, a trust, or a family office.



The donor makes an irrevocable contribution to a DAF account that is administered by the sponsoring organisation.



If the sponsoring organisation is a charity with Institution of a Public Character (IPC) status, the donor may receive an immediate tax deduction, as long as the funds usage meet IPC conditions.



The sponsoring organisation typically handles all the administration required to manage the DAF, so that donors will save on administrative expenses and enjoy tax deductions upfront. Donors may also receive periodic statements tracking incoming donations to the DAF and outgoing disbursements to charities, facilitating easier management of their giving.



Part One

Donor-Advised Funds (DAF): Emergence and Rationale



Introduction

DAFs are often regarded as a “philanthropic checking account”, where both the giving and grant-making decisions are separated. This offers donors an opportunity to give first and decide how and where the funds are granted later. Below is a summary of the various benefits accessible via DAFs.

Benefits of Donor-Advised Funds:

1. Structured Giving Approach for Philanthropy:

- DAFs provide a more structured vehicle of tracking and assessing donations and impact over time compared to ad-hoc charity, as it allows donors to holistically analyse their giving trends systematically through their DAF sponsors
- Provide more information and accountability for strategic giving
- Structure allows for better coordination for accounting and tax planning



2. Decoupling Giving and Grant-making:

- Reduces the urgency to grant-making right after giving, therefore giving more time for the donor to consider more impactful disbursement while already committed to the amount
- Offers a more committed step beyond pledging for public accountability – funds are irrevocably donated, but still allow donors access to grant-making decisions
- Create a more holistic and comprehensive approach to giving – donors’ philanthropic giving become less dependent on capital and tax considerations, and more focused on driving impact on sum donated



3. Multiple Types of Assets Can Be Received:

- Allows for receiving of a wide variety of following assets as donations (The exact list of receivable assets is subject to the DAF sponsor organisation. Not all assets are eligible for tax-deductions as they are subject to the prevailing laws of the country).

- | | |
|-----------------------------------|---|
| ✓ Cash | ✓ Hedge fund interests |
| ✓ Cash equivalent assets | ✓ Cryptocurrency |
| ✓ Credit card gifts | ✓ Real estate |
| ✓ Publicly traded securities | ✓ Fine art and collectibles |
| ✓ Restricted securities | ✓ Life insurance policies |
| ✓ Control securities | ✓ Testamentary gifts and gifts from trusts |
| ✓ Exchange-traded funds | ✓ Transfers from an existing foundation or other donor-advised fund |
| ✓ Mutual funds | ✓ Distributions from a retirement account |
| ✓ Closely held business interests | |
| ✓ Private equity fund interests | |



4. Ideal for Private Capital Grant-making:

- Offers high levels of privacy and discretion
- Gifts can be named or non-named at any instance, up to the choice of the donor
- Low overheads compared to other philanthropic vehicles



Apart from being a philanthropic vehicle in its own right, DAFs have often been compared with private foundations as a viable means to lower overhead costs while obtaining similar benefits private foundations can offer. This is due to cost savings resulting from not needing a dedicated team to manage the philanthropic capital. Instead, this capital is managed by the DAF sponsor organisation for a small fee.

DAF Characteristics in Comparison

	Donor-Advised Funds	Private Foundation
Start-Up Time	Immediate	Can take several weeks or months
Start-Up Cost	~1% headline administrative fee, although actual rates differ depending on clients' needs and sponsors' offerings	Legal (and other) fees are typically substantive
Ongoing Administrative and Management Fees	needs and sponsors' offerings	2.5% to 4% of AUM annually
Valuation of gifts	Fair market value	Fair market value for publicly-traded stock, cost basis for all other gifts of closely-held stock or real property
Privacy	Names of individual donors are not disclosed to the public, and grants can be made anonymously	Must file information returns, which are available to the general public, disclosing detailed information on grants, investment fees, trustee names, staff salaries, etc.
Administrative Responsibilities	Recommend grants to charitable causes as directed by donors or donors' directives	Manage assets, keep records, select charities, administer grants, file state and federal tax returns, maintain board minutes, etc.

Source: National Philanthropic Trust (NPT) (2023), adapted to Singapore's context

Even as DAFs present a viable alternative to private foundations, they have also become a popular platform of giving for families with existing private foundations of their own. Members of such families may wish to embark on social causes that may differ from their families' foundations. DAFs offer the convenience of allowing family members to run their separate philanthropic portfolio outside of the families' existing legacy and giving commitments to their family foundations. DAFs also present a great way for family members to test and build sufficient cases with their differing social causes, before it may be incorporated into the main foundation or exist in tandem with it. Such options allow for more members to be involved in the family's giving legacy while building upon social causes or initiatives that they may wish to explore outside of their family foundations' commitments.

Apart from the above benefit, DAFs have also become especially useful for wealth owners who are experiencing a liquidity event or capital gains, and would like to secure tax deductions first, while formulating a more thoughtful process of grant-making for the allocated sum. This is essential in helping new philanthropists to kickstart their journeys in a gradual way, allowing them to ease into their roles as givers during the transition, while securing the needed tax benefits.

DAFs have also become a popular vehicle for setting up and growing for endowment funds, where donors may pool contributions over a period of their lives, as the principal sum is held in perpetuity and invested in view for the endowment fund. This is particularly useful as the donor can set a donor directive to advise the DAF, providing the DAF sponsor with an operating directive to effectively manage and disburse the philanthropic capital long after the donor has passed on.

Types of DAFs

Flow-Through Funds

- DAFs used as checking account to de-link giving from grant-making
- The principal sum is often drawn down for grant-making, and topped up later on
- Do not usually operate as a named-fund, even though it is possible to do so

Endowment Funds

- DAFs used as account to grow and consolidate a principal sum over time
- The principal sum is not drawn down for grant-making, leaving it to grow until endowment is ready
- Usually a named-fund for endowment purposes

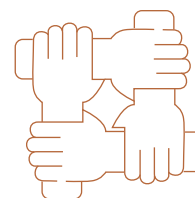
Apart from DAF types, the types of sponsor organisations running the DAFs matter too. To date, there are three main types, each with its own approach and focus areas in working with donors and their DAFs.

Community Foundations

Strength: In-depth knowledge of local ecosystems where funds are channelled into

Community Foundations make up the earliest and most conventional of DAF sponsor organisations. Their focus is on being an intermediary in connecting local contributions with local charities, making them more location and community specific than of the two other types of sponsor organisations.

Given their geographical focus, community foundations are often more involved with both donors and non-profits in their area, making them a reliable intermediary in advising on impact and social returns on investment. Some community foundations are also keenly invested into certain local non-profits as they may feel that such causes would ultimately benefit their local communities. In terms of minimum contribution sums, fees, and investment structures, community foundations vary widely depending on their access to financial instruments and organisational capabilities.



Strength: In-depth knowledge and networks of social causes they are focusing on

As charitable organisations become more complex globally, and specific charitable causes now span across various campaigns, single-issues organisations have emerged to address the need for a consolidated platform to allow donors to strategically channel, pool, and disburse funds. Compared to community foundations, single-issue organisations can be local, regional or global.

The strength of single-issue organisations lies in their expertise in the issue they are focused on. They are often linked to particular non-profits which serve to maximise the impact of said social causes. Regional or global organisations also have the means to channel funds collected in one jurisdiction and deploy them in other places where funds are required. This enables donors be involved in regional or global giving efforts. Like community foundations, single-issue organisations' minimum amount, fees, and investment structures are subjected to available financial instruments they can access.




Strength: Highly competitive fees and competitive investment options

The financialisation of philanthropy has led to new innovations in the form of National DAF organisations that cater to the sole purpose of being a DAF sponsor. Often referred to as “Donor-centric DAFs” or “National Charities”, National DAF Organisations operate to provide a more targeted sponsorship experience for donors who wish to structure their giving by seeking lower minimum sums and fees in order to participate in the DAF market.

National DAF organisations often provide attractive management fees, much lower minimum sums for entry, a more donor-centric experience for giving, and relatively better investment choices. In return for competitive prices, National DAF Organisations often do not invest into grant-making, instead leaving them to donors’ discretion or other DAF organisations to provide advisory services instead.

It must be noted that National DAF Organisations are also subdivided into commercial and non-commercial entities. Commercial entities, more commonly known as commercial gift funds, are DAF organisations that are linked to for-profit financial institutions. The non-commercial counterparts on the other hand do not have any direct links to for-profit institutions and are usually set up to provide much greater access to DAFs for the mass market to drive up more philanthropic giving in the ecosystem.





DAFs in the United States: A Case Study Analysis

Introduction

Donor-advised funds (DAFs) are witnessing new transformations as charitable giving evolves globally. From an increasing emphasis on impact investing to the rise of tech-driven platforms facilitating streamlined donor experiences, the major trends in donor-advised funds signal a paradigm shift in the way individuals and organisations approach strategic giving.

This era is characterised by heightened donor engagement, a growing commitment to transparency, and the convergence of financial acumen with social responsibility, collectively steering the course of global philanthropy toward greater effectiveness and innovation. Understanding these trends is paramount for stakeholders seeking to navigate the evolving landscape of DAFs and harness their full potential for positive global impact.

DAF development is also often driven by local needs to structure and streamline philanthropic portfolios, most notably as alternatives to other philanthropic vehicles such as private foundations or trusts. This is evident in Europe and some parts of Asia, including Singapore, where a small but strong DAF presence is often indicative of donors' appetites to explore and implement cost-effective ways to start or expand one's philanthropic portfolio. These countries, however, often experienced incremental growth within the DAF industry, primarily limited by the population of wealth owners residing and giving within the country's jurisdiction.



A Case Study

DAFs in the United States

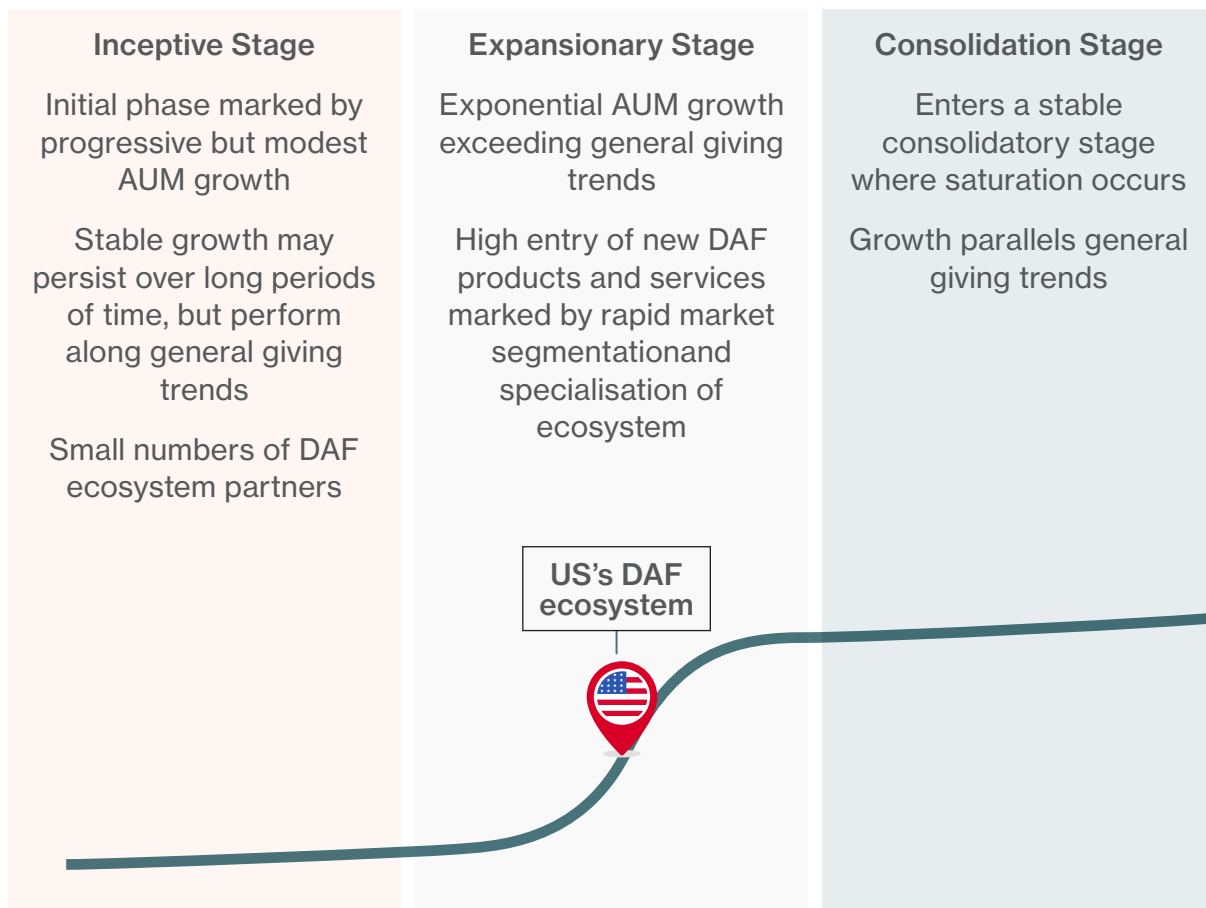
In the United States where much of the action in DAFs are situated, DAFs have exceeded private foundations in terms of grant pay-out rates disbursed to charities. This is despite DAF charitable assets making up only about a fifth of total private foundation assets. DAFs have also seen a rapid rise in the United States, accounting for around 1.9 million accounts, each with an average amount of US\$117,000.

All these numbers signal the advent of an epoch where philanthropic vehicles such as DAFs now have a significant role to play in moving the needle in terms of funnelling private capital into social and charitable causes. In doing so, DAFs have allowed for structured philanthropy to become more mainstream, rather than the preserve of UHNW / HNW individuals.

The growth of DAFs is not however without its problems. Critics have long highlighted the opaque characteristics and lack of accountability of DAF accounts. The critical focus has been on the trend of growing assets by DAF sponsor organisations with ties to for-profit financial institutions. Despite relatively higher grant payouts rates to charities compared to private foundations (NPT, 2023), DAFs have also been long associated with funds which received tax breaks but are locked up and not disbursed to drive the social returns on investments they are thought to deliver. Its proponents however shared that when compared to private foundations and ad-hoc charities, DAFs have shown results in moving more philanthropic capital per capita of assets accumulated than private foundations.



To make sense of the US DAF ecosystem, it is useful to chart its progress since its inception. Provided below is a useful way of mapping the US DAF milestones in relation to the DAF Development Phases (DDP) its ecosystem has experienced.





A Case Study
United States' DAF Ecosystem

DAF's Early Years

The first stage or “Inceptive Stage”, is marked by the rudimentary formation of a DAF ecosystem to serve a small segment of wealth owners and donors who would use DAFs as measured alternatives to private foundations, or for charitable organisations to structure their giving platforms to attract more donors. This stage is marked by DAFs representing a relatively small pay-out share to charities (<10%) compared to total giving in the country, as well as a modest total AUM base, a reflection of the DAF's asset base. The Inceptive Stage is often a reflection of donors' awareness and appetite for DAFs in the country's ecosystem, which is marked by a relatively stable rate of growth, albeit with limited effects.

In the US, the Inceptive Stage started in 1931, when the first DAF platform in US was pioneered by the New York Community Foundation in a bid to create pooled funds to accept all forms of available assets that could be converted into funds to help the unemployed during the Great Depressions of the 1930s. Many newer and existing community foundations adopted the DAF model since. The next major milestone was the introduction of donor-centric DAF sponsor organisations such as Fidelity Charitable, Schwab Charitable and the National Philanthropic Trust (NPT). Unlike community foundations that are based on geographical causes, donor-centric sponsors, or “National Charities” as they are referred to, focus on fundraising and DAF sponsorship as their focus and do not emphasise philanthropic or grantee advisory, which they see as separate services requiring separate skill sets.

The entry of National Charities opened demographics of donors who could now open DAFs due to relatively lower rates and minimum sums compared to community foundations. The ease of DAFs also enabled many charity organisations to adopt this platform to organise their causes, and these included religious organisations, which made up around 85% of Single-Issue Charities deploying DAFs for fundraising by 2016 (NPT, 2017¹). While the DAF ecosystem saw modest growth during this period, the foundational basis that enabled its take-off was in place.

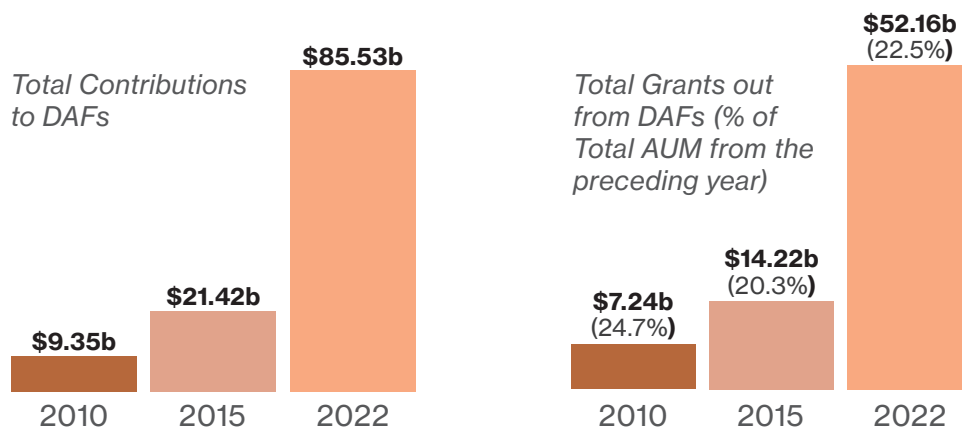


¹ National Philanthropic Trust, 2017. Accessed from: <https://www.nptrust.org/wp-content/uploads/2018/11/2017-Donor-Advised-Fund-Report-NPT.pdf>

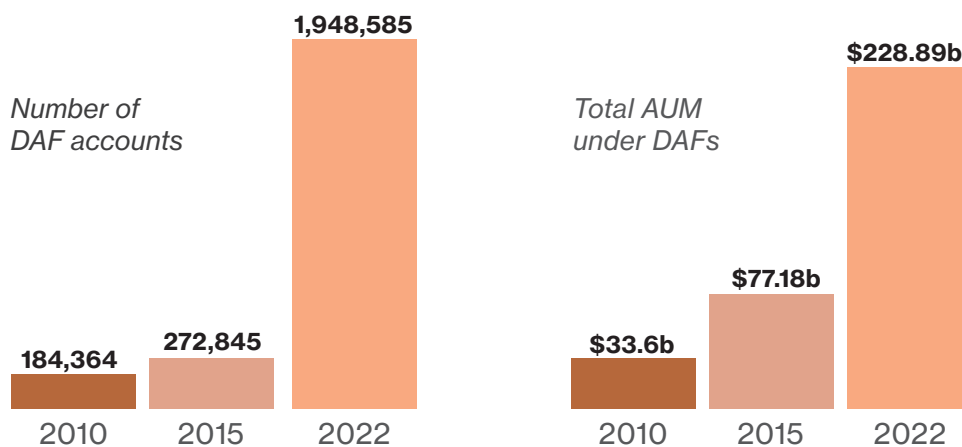
US' Expansionary Stage

The second stage refers to the “Expansionary Stage”, and it is marked by a take-off in both the number of DAF accounts, the amount of funds per DAF accounts, the total AUM base, and the total gross number of pay-outs DAFs contribute to charities. For the US, this was between 2010 and the present, which saw DAF surpassing new heights almost every year in the last decade.

DAFs during Expansionary Stage



DAF accounts' trends in the United States



Source: National Philanthropic Trust, 2023

This rise has been linked to several reasons:

Changes to Tax Codes

Firstly, some landmark changes to the tax code, namely the Tax Cuts and Jobs Act of 2017, saw the rise of “bunching”, a practice aimed at consolidating charity contributions in one year to maximise tax returns. DAFs not only made bunching possible but also facilitated the coordination of itemising taxes to meet the stringent requirements for itemised tax deductions. This enabled many Americans who practice bunching to save on tax returns in one year while carrying out grant-making activities over a period.

New Community Foundations

Meanwhile, DAFs have also become a popular philanthropic vehicle among newly minted wealth owners, including billionaires which has increased more than ten-fold from 66 to 735 from 1990 till present. Alongside the boom in wealth owners was also the rise of prominent community foundations such as the Silicon Valley Community Foundation, which saw contributions from tech billionaires such as Mark Zuckerberg and Priscilla Chan, as well as WhatsApp founder, Jan Koum, among others. As DAFs offered discretion and cost savings compared to conventional private foundations, it became a viable solution for many new wealth owners to make large sums of donations or convert non-cash assets into contributions discretely.

Democratisation of philanthropy

The rise of DAFs has also been linked to the entry of retail consumers made possible with highly reduced DAF minimum amounts, some as low as US\$10,000 to maintain a DAF account with national charities such as NPT or Fidelity Charitable. Coupled with low administrative costs and acceptable investment performance, this has led to a bumper crop of new DAF accounts, even as the average amount in each DAF account has dropped, from an average of around \$298k in 2018 to \$183k in 2021. This move however saw a democratisation of philanthropy, as mass consumers now have access to philanthropic vehicles that were once the privilege of wealthier counterparts. The access into the mass market also saw new innovations and DAF sponsor organisations springing up to offer further reductions in administrative costs while enhancing user experiences.

Responses to DAF growth in the United States

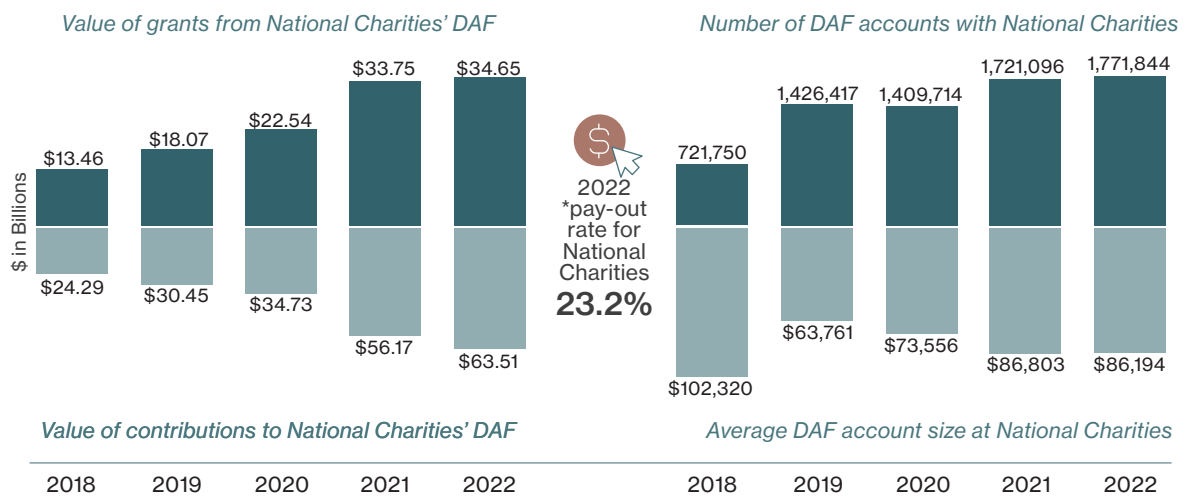
This period also saw a rise of concerns around the funds 'stuck' in DAF sponsor organisations and not disbursed, alongside criticism around a lack of oversight and accountability for DAFs as compared to private foundations. The most popular criticism was that DAFs were not subjected to mandatory disbursement, which private foundations have a 5% pay-out rule to oblige. Current national DAFs such as NPT however reported that DAF pay-outs are above 20%, above the 5% rule (NPT, 2023). While a series of legislative bills were mooted to increase pressures for DAF sponsors to act, proponents of the DAF ecosystem argue that the system is working as intended and that DAFs have brought in greater participation and innovation in a much-needed stale philanthropic scene. To date, none of the federal legislation aimed at curbing DAFs has been passed. The most current bill, titled the Accelerating Charitable Efforts (ACE) Act, was introduced to the House in June 9, 2021, and if passed, is aimed at limiting donors' control over their DAFs.

Another major response to the growth of DAFs was the increased business activities around it. As the AUM under DAFs increased, many philanthropy ecosystem intermediaries saw the opportunity to further provide specialisation, innovations and diversification of philanthropic services that go into supporting the growing pool of capital. Apart from new entrants of philanthropic services which enhanced the service quality and lowered the administrative cost of operating a DAF platform, it has attracted top thought leaders in the philanthropic ecosystem to participate in conversations around how DAFs can be more effectively managed or used for philanthropic impact. Such conversations eventually blossomed into major conventions, including the annual DAF Giving Summit, which provides a platform for a vibrant exchange of ideas, thought leadership and innovations that further reduced the cost and enhanced the efficacy of DAF as a philanthropic vehicle.

The above interactions all point to the US DAF ecosystem heading towards a consolidation point of their expansionary phase and will be further consolidated with the passing of the ACE Act. Like its private foundation counterpart, the DAF ecosystem will likely stabilise in terms of AUM and grants and respond in tandem with the rise and fall of wealth owners, due to the saturation of innovation and market players². This also means that DAFs as a philanthropic vehicle will enter a state of equilibrium where donors are keenly aware of the comparative advantages it provides as part of a total philanthropic portfolio, and likely remain moderately dominant until the next new philanthropic vehicle emerges.

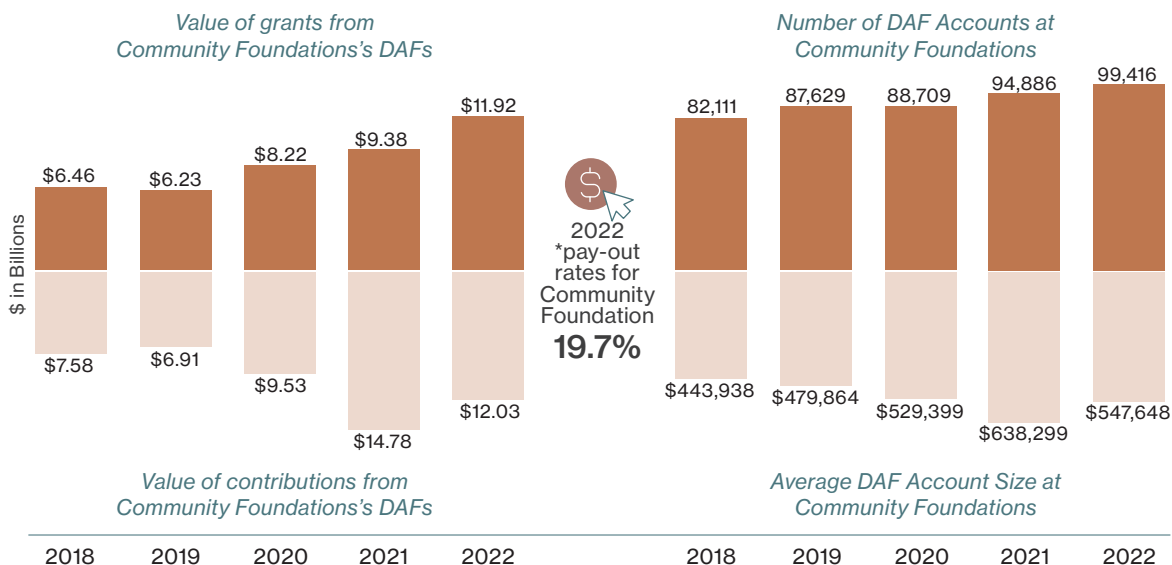
To better understand the sources of growth and development within US DAF ecosystem, it is also necessary to look at the key statistics for the three main types of DAF sponsor organisations across the last five years as reported by the National Philanthropic Trust (NPT).

National Charities



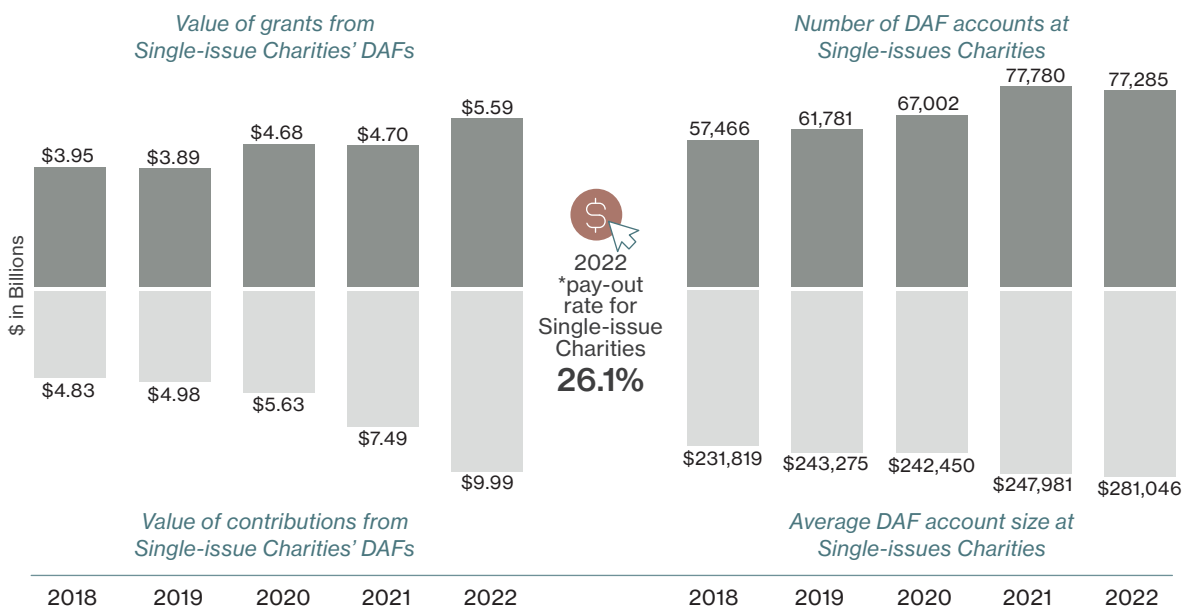
*The payout rate formula is grants in this year divided by assets from the end of the prior year.

Community Foundations



*The payout rate formula is grants in this year divided by assets from the end of the prior year.

Single-issue Charities



*The payout rate formula is grants in this year divided by assets from the end of the prior year.

From these different sponsor segment numbers, three important trends are identified.

Contributions and Grants Growth Trends

Firstly, the main drivers of growth are primarily observed in National Charities, with its four-year (2018 – 2022) compounded annual growth rates of contributions and grants disbursed at 27.2% and 26.7% respectively. Compared to the same compounded growth rates of contributions and grants across all DAF sponsor organisations (23.6% and 21.6%), and its Community Foundations (12.3% and 16.5%) and Single-issue Charities (19.9% and 9.1%) counterparts respectively, National Charities' DAFs still lead the growth, and at the same time still accounting for 74.3% and 66.4% of all contributions and grants disbursed for DAFs in 2022. This suggests that while National Charities take up a substantial portion of the market share in the US DAF ecosystem, it still has shown viable room for growth despite a challenging political-economic outlook. This is testimony to the significance of National Charities in driving charitable funding as relatively independent from the performance indicators of its counterparts. It further indicates that the sources and factors of growth among the different DAF sponsor organisations are differentiated. This also points to the growth potential National Charities have in driving a substantial part of the gross contributions and grants amount into DAFs.

Pay-out Trends

Beyond grants and contributions, National Charities also performed modestly well in terms of pay-out rates, or the charitable amount disbursed as grants relative to its preceding year's assets, at 23.2%. This is higher than the average pay-out rates of both DAFs (22.5%) and private foundations at an estimated 6.8%³, the latter having a federally mandated annual pay-out rate of 5%. Compared to Community Foundations (19.7%) and Single-Issues Charities (26.1%), National Charities have been shown to be able to disburse a relatively substantial amount compared to other philanthropic platforms. Still, Single-Issues Charities DAFs remained the highest in terms of pay-outs, in large part due to its use as a flow-through platform to channel philanthropic capital to urgent needs by local charities.

DAF Account Values and Trends

Finally, despite modest growth as compared to National Charities, the value of each DAF account in both Community Foundations and Single-issues Charities remains much higher and valuable. At present, National Charities' average DAF account size is at \$86,194 with over 1.7 million accounts. Contrastingly, Community Foundations and Single-issues Charities average DAF account sizes are \$547,648 and \$281,046, with 99,416 and 77,285 respectively. This suggests that Community Foundations and Single-issues Charities continue to attract donors with much higher philanthropic capital, while National Charities' growth is driven by the sheer volume of donors.

This trend is important for two reasons.

Firstly, it suggests that Community Foundations and Single-issues Charities can continue to drive philanthropic capital by focusing on bringing in high-value donors through high-touch grantmaking focused journeys, while National Charities attract mass donor bases that scale with their volume. Both approaches are essentially important for tapping into different demographics of donors that would respond to giving or grant-making motivations differently.

Secondly, it also accentuates the value of donor segmentation as the market grows. In other words, a robust DAF ecosystem is one that offers different DAF platforms that cater to as many different donors' bases as possible, and that National Charities, while being the most dominant in terms of DAF account sizes, as well as gross contribution and giving amount, may not necessarily be best equipped to meet the diverse needs of donors who may prefer a focus on grant-making engagements and closer more meaningful interactions with grantees that may be found with Community Foundations or Single-issues Charities.

Trend Insights from the US experience

There are several key insights we can draw on from the US' experience:

1. Developing a robust DAF ecosystem requires a strong emphasis on both donor-centric and grantee-centric growth. Donor-centric approaches refer to focusing on the donation part of the DAF process, making it easy, seamless, convenient, and motivating for donors to contribute, which results in greater growth of AUM. On the other hand, grantee-centric approaches refer to the focus on the grantmaking part of the DAF process, enabling the DAF users to be keenly involved in the grantmaking process, including know-your-grantee journeys and impact assessment exercises.

Donor-centric growth was led by National Charities and commercially linked DAF sponsors, which developed deep expertise in fundraising and fund management. Grantee-centric growth was led by a robust community of Community Foundations and Single-Issues Charities which created a wide diversity of causes to flow philanthropic funds into.

2. To create a robust and steady demand for DAF adoption, there is a need to grow and scale DAF adoption among donors in response to structural reasons donors look for beyond emphasising cause and impact. These include communicating how benefits are realised for them as well as the cost-effectiveness, flexibility, and convenience in doing so, as well as tax benefits and how it integrates into the donor's overall wealth planning objectives.

3. The synergistic support functions, infrastructures and technological platforms are critical in enabling greater adoption of DAFs, but existing sponsor organisations may not be incentivised to fully fund investments into enhancing said infrastructures.

4. A major concern in the US experience has been the large amounts of un-disbursed capital sitting within DAF sponsor organisations, which has led to critics lamenting the situation as the hoarding of philanthropic capital that is not making the impact it is supposed to do.

Formulating a policy to encourage/maintain high pay-out rates is critical in ensuring capital flows reach charities to make impact on the ground, and to counter any negative sentiment from the market.

5. Intermediaries such as network convenors, charity portals, grant-makers, professional services and DAF administrators are essential in coordinating, scaling and bringing together donors with sponsors and non-profits, but they are only made possible if a certain market capitalisation is present or when sponsor organisations invest in innovations as there is an internal requirement.

For instance, the United States hosts an annual DAF Giving Summit that brings together the DAF ecosystem to discuss new frontiers and tackle common challenges. This summit is co-sponsored by DAF ecosystem partners who collectively contributed to making the event possible.

6. DAFs are particularly sensitive to changes to tax codes which stack tax returns on contributions. This may be a useful strategy to attract more giving and grow total DAF donations and participation in the short term but encourages practices such as “bunching” which may distort actual giving trends in the long term.

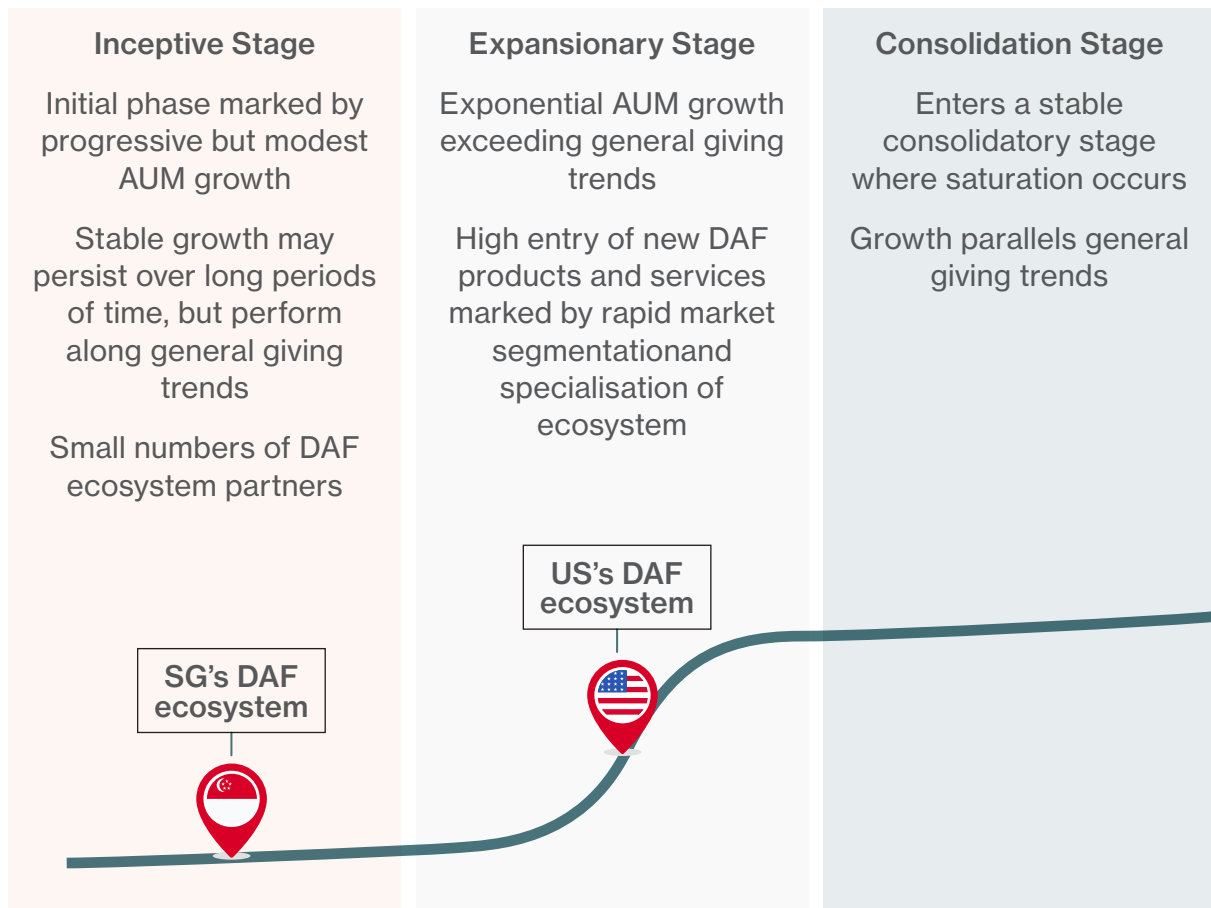
7. The US DAF ecosystem is made agile by sponsor organisations which are plugged into regional or international partners that allow for cross-border giving while still being eligible for cross-border tax deductions. Examples include organisations such as dual-qualified UK/US charities, which enable donors to obtain tax reliefs on liabilities to both US and UK taxes.



Comparative Case for DAFs in
Singapore as a Philanthropic Hub

Introduction

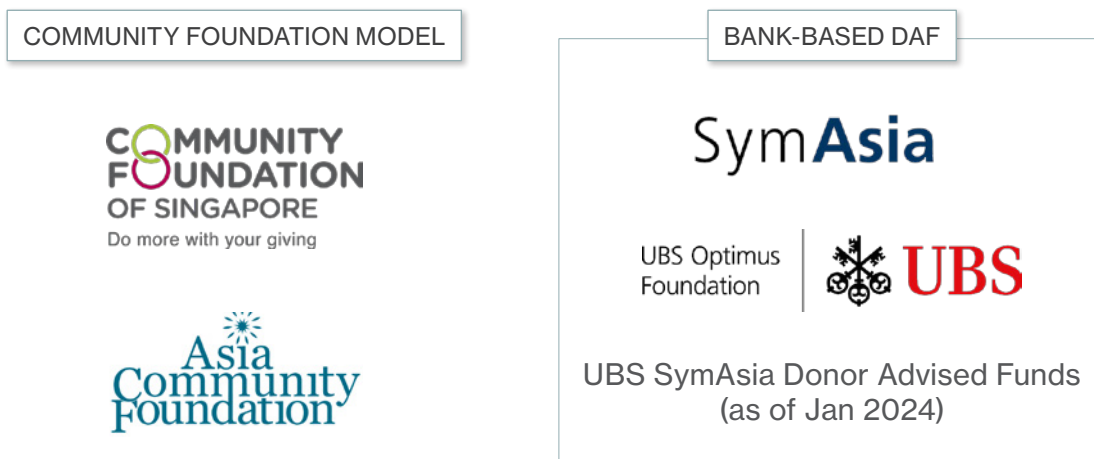
Compared with the US experience, the DAF ecosystem in Singapore is still situated in the Inceptive Phase under the DAF Development Phase framework. This phase is characterised by modest progress driven in tandem with general giving trends in Singapore. While growth may be stable, the ecosystem remains small and consists of a few players catering to a niche demographic of donors. The ecosystem is further explained below:



The advent of CFS was soon followed by SymAsia, a Foundation set up by Credit Suisse for its clients to open “sub-foundations” which are effectively donor-advised funds managed under SymAsia. While not the first of its kind globally, SymAsia was revolutionary as the first local DAF sponsor platform offered and managed by a bank, which signalled the possibility of philanthropy as a financial service among private banks in Singapore. The opening of UBS Foundation’s Singapore Office in 2019, its third office in Asia after Hong Kong and Beijing, also signalled banks’ investments into building the necessary infrastructures to pursue philanthropy in the city-state. The UBS Foundation Singapore Office later also provided DAFs in late 2021 as part of its strategic offerings. As of January 2024, it was announced that SymAsia and UBS’s DAF offerings will merge to form the “UBS SymAsia donor advised funds” in Singapore. This makes UBS the biggest bank-based DAF at present.

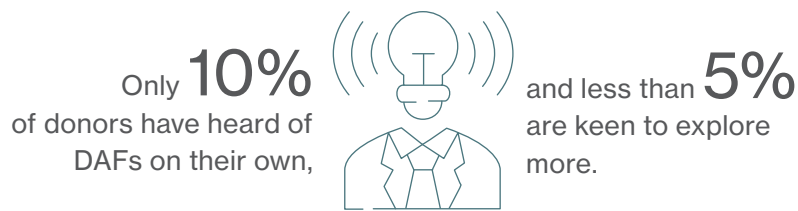
Meanwhile, the DAF ecosystem also welcomed the Asia Community Foundation, a Singapore-based community foundation aimed at accelerating regional giving in

Asia through a DAF platform. Established by members of the Asia Philanthropy Circle (APC), ACF focuses on making cross-border giving more accessible, while providing philanthropy advisory and services to create greater impact on the ground.



Together, Singapore now has three sponsor organisations, two of whom are set up through the community foundation model, and the other is a bank-based DAF sponsors for private banking clients. While Singapore's DAF ecosystem is currently meeting the local demand for DAFs among donors, it is community-centric, which emphasises grant-making and philanthropic advisory experience more than fundraising. Thus, much of the energy has been driven to drive the quality and impact of donations and donors' journeys in the grant-making process, instead of towards fundraising and innovations in DAF products to increase adoption. This is particularly evident when Singapore has yet to have a sponsor organisation in a similar vein as Fidelity Charitable or the National Philanthropic Trust that would cater to building up the fundraising developments and rapid AUM growth of the DAF ecosystem.

Awareness and Operating Barriers



Another related factor accounting for Singapore's Inceptive stage is linked to the low awareness level of DAF as a viable philanthropic vehicle in Singapore. Our research findings reveal that despite cautiously optimistic views about the future of DAF as an attractive philanthropic vehicle in Singapore, only **1 out of 10 donors** in conversations with private banks' wealth or philanthropy teams have heard about DAFs on their own, and of those who know about DAFs, **less than half of them are willing to explore more**. Reasons included donors' uncertainty around how their funds will be tied up in instances where their giving directives may differ with the DAF sponsors' operating limitations, as well as the lack of knowledge around how DAFs may benefit their potential or existing philanthropic portfolios. Similarly, legal estate and tax planners our team interviewed revealed that DAFs were very rarely brought up in conversations around philanthropy and legacy among business families they engaged with. Those who did were usually family principals who were keenly involved in Singapore's philanthropic scene or had previously used or are currently using a DAF for their giving. Even after being made aware of DAFs, business families often preferred to steer their conversations towards other philanthropic or wealth vehicles such as trusts and private foundations.

Another reason attributed to the low usage of DAFs involved the relatively high barriers of entry and the administrative costs associated, especially when compared to US benchmarks. For both bank-based DAFs, while requirements vary on a case-by-case basis, donors need to at least qualify to be a private banking client to access their DAF services. For CFS and ACF, the minimum to start a DAF account generally starts at S\$200,000 and S\$1 million respectively, with around 1% in basic administration fees. These fees are in line with the average amount community foundations charge to cover overhead. In general, a substantial scale in AUM will be required before the fees can be lowered, due to the relatively high fixed costs of DAF administration.

Comparatively in the US, National Charities such as the National Philanthropic Trust (NPT) and Fidelity Charitable in the US require a minimum of US\$10,000 to set up an account, with tiered rates between 0.15% - 0.6% and 0.1% - 0.8% respectively. While the minimum sum is derived both to cover operating costs and to attract committed donors who are serious about philanthropy, it has inhibited new entrants due to the commitment wall. It must be qualified however that compared to private

foundations which require as much as 50 million to effectively maintain operations and impact, DAFs are seen as having a much lower threshold for structuring one's giving.

The limited adoption of DAFs in Singapore is also tied to policy successes in terms of streamlining charitable deductions under a single tax system, as well as limitations around cross-border giving due to non-profit due diligence and Anti-Money Laundering and Terrorist Financing (AMLTF) related reasons. Firstly, Singapore's charitable tax deductions come through the Institutions of Public Character (IPC) status, which enables donors to claim up to 2.5 times in tax deductibles on their taxable incomes for qualifying donations. Along with the ease of not needing to itemise charitable donations for assessments against standard deductions, as in the case of the United States, Singapore's tax deductions for donations are immediately computed into one's tax assessment via the IPC receiving the donation. The streamlined system therefore meant that local donors had less need to use DAFs to coordinate their tax reliefs compared to their US counterparts, as the coordination function is already built into Singapore's tax system. Additionally, the IPC status only applies to local charities which conduct charitable activities locally, and unless explicit permission is obtained from the Minister for Culture, Community and Youth, all IPC charities cannot conduct any activities that would benefit overseas communities or beneficiaries. These legislations made cross-border giving less relevant from a tax perspective, at least until the recent Philanthropy Tax Incentive Scheme for Family Offices announced in 2023.

Donors' Motivations and Perspectives

Interview findings with sponsor organisations and donors also reveal that **while tax considerations are a part of how donors structure their total giving portfolio, many donors choose to donate overseas due to altruistic, reciprocal, or utilitarian reasons.** Many donors often make their wealth based on regional businesses or networks or are in touch with local communities where they are either from or have personal connections. DAFs, in these instances, are often not suitable as the sponsor organisations are either mandated to give to Singapore-related causes or allow donors to donate overseas without tax deductibles. With the introduction of ACF's DAF platform which actively incorporated support for cross-border giving, it has allowed donors to make use of their DAFs effectively in terms of obtaining philanthropic advisory and due diligence services to maximise their impact on regional giving.

Additionally, with the introduction of the Philanthropy Tax Incentive Scheme (PTIS) for family offices, it has opened the avenue for donors to receive tax deductibles for overseas donations, subject to the scheme's stipulations (See Page 35).

While valuable, these services however often come at a cost, which not many donors may be comfortable with paying for. Interviews with sponsor organisations reveal that this may be in large part due to institutional and cultural inertia. Unlike in the United States or Europe where philanthropic advisory and impact assessments are seen as professional services, there is a tendency among donors to eschew advisory as a paid service, as the impression is that all charitable sums should go to beneficiaries instead of paying the intermediary or advisor. As a result, DAF sponsors either charge higher administrative fees to cover part of basic services or separate them from the basic fees donors pay for managing their DAF accounts. The inertia to pay for such services in Asia also makes important due diligence processes such as know-your-grantee or background checks difficult, resulting in DAF sponsors either absorbing the cost or not engaging in cross-border giving which may incur high costs due to difficulty in accessing and assessing non-profits' information from certain countries. These also tended to be the very non-profits in countries that may often need philanthropic capital for the most impact. Due to these circumstances, sponsor organisations often incorporated the costs of legally required due diligence services into their DAF services, while leaving legally non-mandatory but equally, if not more impactful assessment or background check services an optional service to the donor's discretion.

Analysing the Case for DAFs in Singapore

While the above factors characterised Singapore's DAF ecosystem landscape in a nascent stage, the potential for DAF to become a dominant giving platform is still highly possible and beneficial for Singapore's philanthropic ecosystem for three main reasons.

Driving Charitable Activity and Innovation

Firstly, akin to the United States' experience, while Singapore may not see a sharp rise adoption of DAFs immediately with enhancements to the DAF ecosystem, DAFs are undeniably a strategic infrastructure within Singapore's role as a major philanthropic hub in Asia. This is because a robust DAF ecosystem has been shown to punch above its weight when compared to its foundation counterparts in the United States. For Singapore, this can bring accelerated growth and development in its own philanthropic ecosystem as it aspires to be a philanthropic hub in Asia." In the United States, while DAFs make up only one-fifth of private foundations' charitable assets at US\$228b, they are responsible for over US\$52b of grants made across more than 1,000 sponsor organisations managing 1.9 million accounts averaging US\$117,000 (NPT, 2023). According to Ren, a US-based tech-enabled philanthropy advisory service provider, the DAF ecosystem in the United States also directly supports more than 100 major philanthropy professional services across 19 different affiliated sub-sectors in the philanthropy ecosystem (See Figure 7). All these point to

DAFs as not only a generator of charitable assets, but they are also a major infrastructure that generates human capital and business activity necessary for a vibrant non-profit sector for a philanthropy hub. DAFs are therefore an important vertical to be cultivated to grow and expand if Singapore wishes to attract human capital into the non-profit industry.

Donor Advised Funds – Example of Innovations in the Landscape
 Representative landscape of sponsors, vendors, and recipients

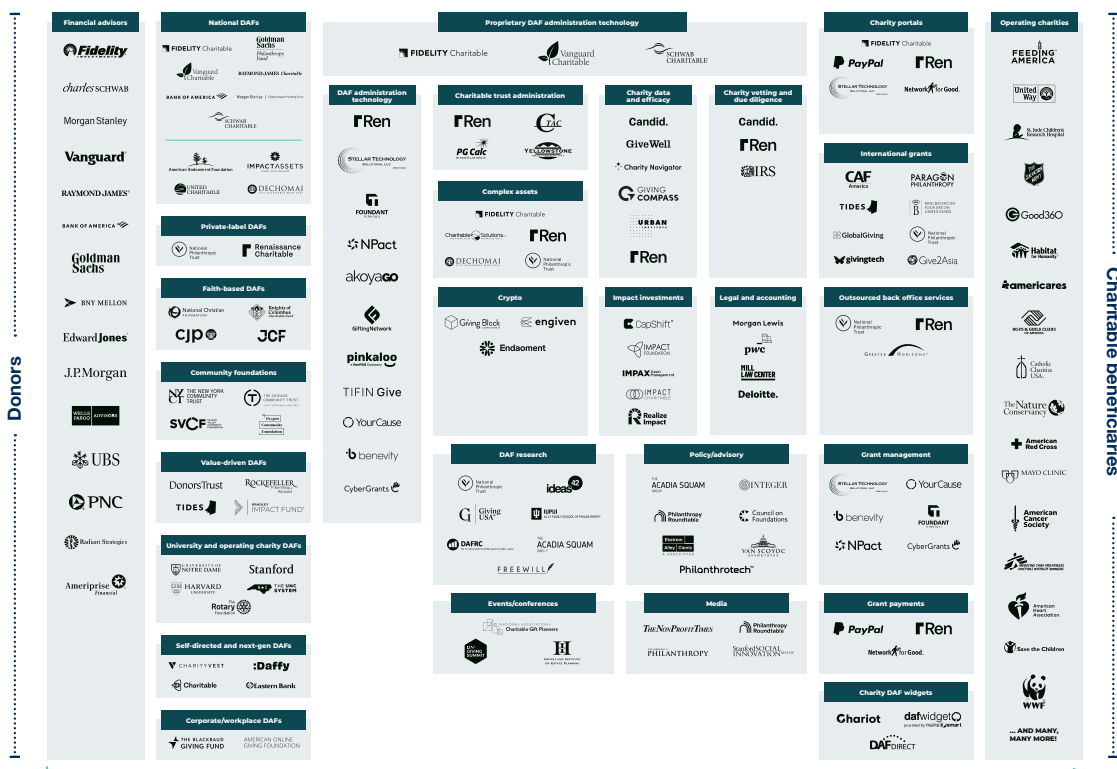


Figure 7: DAF Ecosystem

Source: REN, 2023

Another extended positive effect of a vibrant DAF ecosystem is the innovation it brings into the non-profit sectors. In an article by Yale Insights, Laporte et al (2018) indicated that a major stumbling block that is inhibiting the impact non-profits can make is incorporating the right technology to bring much-needed efficiency, networks, and collaborations into the industry. In this regard, DAFs have performed ahead of many other philanthropic vehicles in embracing technology and fostering innovations to suit the platform’s needs. For instance, the flurry of involvement among tech-enabled service providers has led to major enhancements to DAF donors’ user experience and convenience. This has led to new sponsors such as DAFFY, a DAF platform that focuses on seamless giving through the smartphone, or DAF Direct, a platform sponsored by Fidelity Charitable and Schwab Charitable among others, that allows donors to make grants directly to beneficiaries through

their DAF accounts with a click of a button. These benefits also spill over into the intermediaries' and sponsors' back-end operations, with the potential to drive costs down and introduce new DAF-related products and services into the market as innovation grows. One such example is DAFTech, a SaaS platform designed to provide DAF administration and backend processes. This enables existing and potential Community Foundations and DAF sponsors to leverage such services, providing lower overhead costs and allowing sponsor organisations to focus on other more pertinent tasks such as fundraising or grantmaking.

Facilitating Philanthropy among Family Offices

Why are DAFs attractive for Family Offices?



While foundations may seem the conventional pathway for most business families with a deep commitment to philanthropy, DAFs possess tremendous potential as an alternative or complimentary platform for giving too. In particular, the relatively lower administrative and set-up cost becomes an attractive feature for family offices that are considering structuring their giving while building their philanthropic AUM and/or increasing their teams. The cost-effectiveness of DAFs is also attractive for family offices who are keen to accelerate their philanthropic aspirations in tandem with setting up their governance and investment infrastructures, and the associated costs of doing so.

Apart from costs, another important feature is that DAFs allow family offices to choose how they may wish to present their charitable pursuits, and this ranges from being discreet and anonymous to setting up named fund(s) parked under the DAFs, with similar grant-making powers and presence as that of private foundations. This flexibility allows family offices to calibrate their giving portfolios and presence in line with their families' legacy-building and giving narratives.

For Singapore, a robust and diverse DAF ecosystem would be an important platform to accelerate giving as around 80% of some 1,100 family offices based here have been set up within 3 years or less. While many of these family offices may have started their philanthropic activities elsewhere, some even with considerable philanthropic presences, only a handful of prominent While foundations may seem the conventional pathway for most business families with a deep commitment to philanthropy, DAFs possess tremendous potential as an alternative or complimentary platform for giving too. In particular, the relatively lower administrative and set-up cost becomes an attractive feature for family offices that are considering structuring their giving while building their philanthropic AUM and/or increasing their teams. The cost-effectiveness of DAFs is also attractive for family offices who are keen to accelerate their philanthropic aspirations in tandem with setting up their governance and investment infrastructures, and the associated costs of doing so.

Cross Border Giving for Singapore as a Philanthropic Hub

A major infrastructural requirement for Singapore's successful role as a philanthropic hub in Asia involves setting up platforms and alignment of tax, funds deployment and due diligence processes to enable a smooth and secured pipeline from donors to local communities. DAFs have long been a preferred philanthropic vehicle for cross-border giving, with sponsor organisations such as the Charities Aid Foundation (CAF) and Give2Asia providing DAFs that serve across markets and communities.

For tax considerations, the current tax deductions for cross-border giving remain difficult, with the Institution of Public Character (IPC) status being awarded to charities that must exclusively benefit Singaporean beneficiaries. More recently in a bid to encourage family offices to use Singapore as a philanthropic hub for regional giving, the Philanthropy Tax Incentive Scheme (PTIS) was introduced in July 2023. The scheme enables family offices as qualifying donors to receive a 100% tax deduction for qualified overseas donations, capped at 40% of the donor's statutory income. While the scheme is a step in the right direction towards increasing philanthropic giving using Singapore, its conditions and applicability to qualifying donors related with Singapore's Section 13O/U Fund Tax Incentive Scheme awardees have made the PTIS limited in its outreach. The scheme must also be extended beyond the family offices to allow for more participation outside of a narrow incentive eligibility structure. Despite these outcomes, DAFs remain a valuable cross-border giving platform by relying on Singapore's philanthropy advisory and financial expertise to provide high quality assessment, due diligence, and deployment processes to maximise grants' impact.

Taken together, these three main factors form the pillars that structure the report's focus and premise for recommendations based on how they would align with Singapore's ambition as a philanthropic hub.

Concerns Regarding DAFs

Donor-advised funds (DAFs) have gained popularity as a philanthropic tool, but they are not without their pitfalls. Below are several issues surrounding the use of DAFs within the philanthropic landscape:

Undisbursed Funds for Charitable Use:

One major criticism of DAFs is that potential funds for charitable use are instead locked up. With pay-out rates at around 20-25% in the US, this means that an estimated 75-80% of tax-deducted funds for charitable use remain locked up in DAF accounts, some over long periods of time. As donors contribute to a DAF, those funds are irrevocably earmarked for charitable purposes. However, the actual distribution of these funds to non-profits might be delayed or remain unrealized for extended periods. This delayed deployment of funds can hinder the immediate impact that charitable organisations desperately need. At the same time, it creates an illusion among donors that they are making an impact just by the amount they have in their DAF accounts, instead of granting to their intended charitable organisations in the United States. In Singapore, the findings from sponsor organisations suggest that pay-outs are around 60 – 80% currently, which is much higher than in the United States.

Over Financialisation – Banking Philanthropy:

Critics argue that DAFs, in some cases, contribute to the over-financialisation of philanthropy. The emphasis on financial management and investment strategies within DAFs might shift the focus from the original intent of charitable giving, potentially transforming the act of philanthropy into a fund management business rather than a direct means of addressing societal issues.

On the other hand, a stronger system for philanthropic capital management can allow the sustainable growth of the sector's capital flows. This ensures that non-profits can tap on more innovative and streamlined forms of fundraising, channeling savings in time and resources to meet their social goals. Additionally, philanthropic capital, before being deployed, can also play a stronger role in driving impact through mission-aligned investments such as concessionary capital in blended finance and impact-first investments.

Transparency and Accessibility Concerns:

Transparency can be a significant issue with DAFs. Unlike private foundations, which are required to disclose more information about their annual activities and financial information, DAFs are not subject to the same level of transparency requirements. This lack of transparency can make it challenging for the public and regulatory bodies to assess the impact and effectiveness of DAFs in addressing societal needs.

Authority Over Custody of Capital:

While sponsors typically abide by their donors' directives in terms of investments and/or grantmaking, the legal custodian of the capital belongs solely with the sponsor organisations. This gives the sponsor organisations the legal right when it comes to control and authority over the funds, limiting the ability of donors to unilaterally decide what the donated funds can do in the case of management differences.

Summary

There is a clear case for DAFs in helping to drive greater activity, innovation and giving, both locally and overseas. However, they are not without their challenges around un-disbursed funds, the possible over-financialisation of philanthropy, and transparency around DAF contributions. Questions regarding authority over capital custody are also discernible. Yet, weighing the benefits against the concerns, DAFs have emerged as a flexible and useful philanthropic vehicle which can aid strategic giving and multi-generational involvement. As Singapore continues to grow as a hub for philanthropy and financial services, DAFs can play an important role in encouraging more strategic philanthropy and embedding giving more strongly within the wealth management ecosystem.



Contextualising the Future of DAFs in Singapore – Scenario Analysis



Introduction

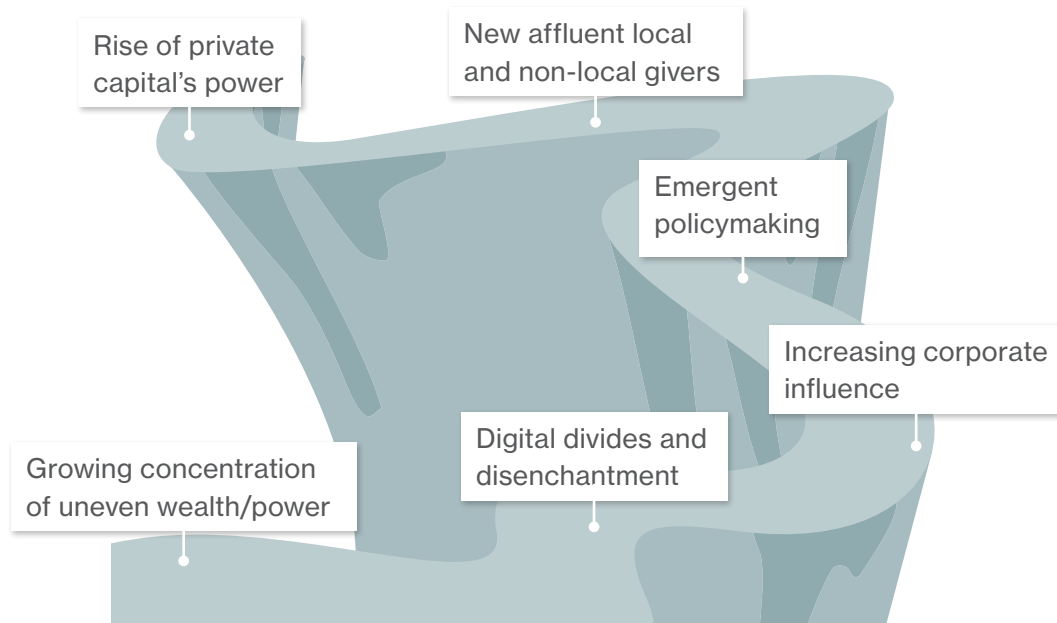
Apart from the above factors, it is also imperative to set the potential contexts for Singapore's future as a philanthropic hub, and by extension, chart the future of DAFs in these contexts. This report adapts two established scenario frameworks in envisioning and calibrating our recommendations based on the scenarios. The rationale for using these two frameworks is twofold.

Firstly, these frameworks were designed by two major organisations within Singapore's philanthropy scene, namely the National Volunteer and Philanthropy Centre (NVPC) and the Asian Philanthropy Circle (APC). Both have provided useful scenarios that the DAF ecosystem must situate itself considering Singapore's philanthropic contexts. These included socio-political shifts in the role of private and community capital in playing a part towards addressing current and emerging social problems, as well as how the future of giving might look like.

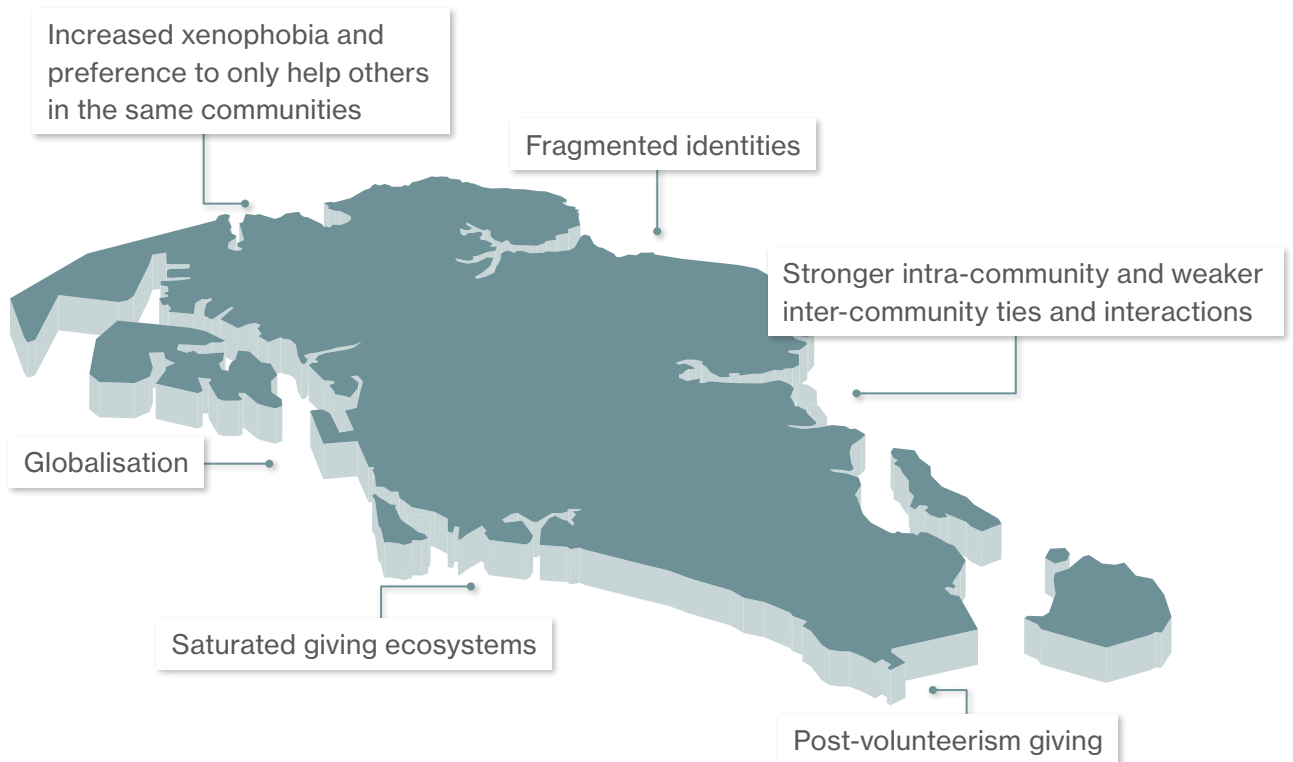
Secondly, their frameworks offer unique practitioner-led insights that can help assess and contextualise the main learning points drawn from the US DAF ecosystem case. For NVPC's framework, these insights are derived from Singapore's philanthropic landscape and would make an appropriate structure to synthesise and analyse the insights from the US experience into Singapore's DAF ecosystem context. The APC framework situates the ecosystem into a regional analysis, examining and characterising the underlying premises of Singapore's image as a philanthropic hub. Both frameworks therefore provide key insights into how DAFs may be used in Singapore and beyond.

The first scenario framework, titled "Cliffs and Isles", is derived from the National Volunteer and Philanthropy Centre (NVPC) 2030 Giving Scenarios for Singapore. Within this framework, NVPC outlines thirteen major socio-economic trends in Singapore that would affect how stakeholders would respond within the philanthropic ecosystem and beyond, as shown below:

In 2030, Singapore will be marked by growing inequalities and straining social cohesion



In 2030, Singapore will be home to strong but fragmented group identities that bind some while dividing others



Both the themes of “Cliffs” and “Isles” open the conversation of Singapore’s future of philanthropy around crucial divisions or potential “fault lines”, in terms of how people experience Singapore differently, as well as growing concerns for echo chambers that magnify and amplify their respective need and issues. These considerations do not have to be framed negatively, however, as they also open new potentials for new forms and regimes of philanthropy to flourish. This is particularly so when giving vehicles such as DAFs can be aligned to direct and guide future philanthropical capital into the right communities and social causes.

Before we assess how DAFs may be contextualised into the above two themes, we would also like to introduce a second set of scenarios, which anticipates the larger trends of Asia’s future of philanthropy. Introduced by the Asia Philanthropy Circle (APC), the *Future of Asian Philanthropy* report provides four scenarios that outline the major social-political contours that will shape the role of philanthropy in the region. It is however worth noting that while Singapore may be generalised into the Asian trends, it has also numerous factors which set the city-state apart from the other cases. This includes a more developed social infrastructure and higher levels of socio-economic status and indicators.

	Scenario 1: Asia Inc	Scenario 2: Bossy State	Scenario 3: Land Mine	Scenario 4: Renaissance
	Society muddles along from its current state with businesses consolidating power and driving development.	Society is dominated by the government, which oversees all societal activity.	Society and the state are in a longstanding struggle for voice and power, while the nation remains impoverished	Society has become more cohesive and actively strives to enhance equality and communal well-being.
State Perception of itself	Managing	Dominant	Dominant	Participation
Attitudes towards Wealth Inequality	Resigned	Hands-off	Proactive	Proactive
Extent of Societal Cooperation	Transactional	Transactional	Absent	Flourishing

Source: Asia Philanthropy Circle (APC)

These scenarios illustrate a widely divergent Asian scene in terms of potential collaborations or contestations between governments, businesses, and societies. At the regional level, it also points to the diversity of futures Asia possesses, and the need for the future of philanthropy to be able to anticipate and appreciate various socio-political conditions. This is especially so for cross-border giving, as donors and grant-makers must work out beneficiary countries’ nuances in order to make

In this report, we focus on five out of the six probably scenarios relevant to Singapore's future of philanthropy.

Potential and Pitfalls for Singapore's DAF Ecosystem in Singapore's Future of Philanthropy

Scenarios	Potentials	Pitfalls
"Cliffs"	<ul style="list-style-type: none"> - Increased cross-border giving, with financial hubs being consolidation and deployment centres - Increased financialisation of the philanthropic ecosystem - Increased professionalisation of the philanthropic ecosystem 	<ul style="list-style-type: none"> - The philanthropic sector becomes skewed to private capital's social causes and interests, leaving unpopular causes to be underserved. - Commodification of philanthropy – "pay-to-play" models may jeopardise impact. - Ecosystem may over-leverage towards fundraising at the expense of other mandates.
"Isles"	<ul style="list-style-type: none"> - Diasporic communities and giving - Innovation and further consolidation of the philanthropic ecosystem - Narrative-based giving connects with larger communities that resonate with the narratives. 	<ul style="list-style-type: none"> - More intensive competition and disruption as the ecosystem consolidates due to saturation.
"Asia Inc"	<ul style="list-style-type: none"> - Major upside for increased corporate philanthropy. - More wealthy business families and family offices - Regional concentration of wealth in places where high-quality preservation, investment, and legacy-related services are present. 	<ul style="list-style-type: none"> - Peripheral communities may lack support or networks to connect with regional hubs. - Blending of corporate frameworks and logics into the philanthropic ecosystem, influencing measures of impact and success.
"Bossy State"	<ul style="list-style-type: none"> - Increased public expenditure and coordination to drive private capital for social improvements. 	<ul style="list-style-type: none"> - Private capital may not be given ample berth to contribute beyond financial capital. - Non-state actors are curtailed in terms of social causes they can access due to censorship and state's interventions.
"Social Renaissance"	<ul style="list-style-type: none"> - A strong civil society makes for a strong marketplace of ideas for social innovations to flourish. - Increased visibility on underserved social causes in society 	<ul style="list-style-type: none"> - More competition for funding among non-profits and charitable organisations

Each of these five broader scenarios provides important contexts for how Singapore's DAF ecosystem will develop in response to larger socio-political and economic trends.

Cliffs and Isles: Private Capital, Financialisation & Further Professionalisation of Philanthropy in Singapore

The anticipated factors present in NVPC analysis of “Cliffs” and “Isles” bring immense opportunities for DAFs in three ways. Firstly, the rising importance and concentration of private capital's power in society would unlock further roles for private capital to deploy larger and faster funds for social needs. The greater involvement of private capital is also likely to spur greater financialisation of the philanthropic ecosystem, which signals larger accumulation and flows of private capital, increasing the funding pool for the ecosystem. Secondly, this increase may also be amplified by Singapore's status as a reputable financial hub for the region, which facilitates DAFs' potential to become the very conduit to integrate with private capital flows for cross-border giving between Singapore and other Southeast Asian countries, or between diasporic and home communities around Southeast Asia, with Singapore as the intermediary for fund management and administration purposes. This potentially uncaps Singapore's limit of a small demographic base to scale DAF services, if such options are made available to facilitate Southeast Asia through Singapore-based DAF sponsors. Lastly, this opens the potential for further professionalisation of the philanthropic ecosystem, especially in creating more opportunities for human capital in the private banking and capital markets to join the non-profit sector and accelerate the quality, scale and diversity of fundraising and management offerings.

The increased roles private capital plays however also pose risks for the philanthropic ecosystem. The main concerns are the skewing of private capital's interests, the commodification of philanthropy, and intense competition and domination of capital-focused non-profits. In the skewing of private capital's interests, with the increased power of capitalist figures, non-profits seeking to attract more funding may now have to pander to the former's social interests, which may not be the priority social needs in local communities. It may also distract non-profits from focusing on their core strength areas in being connected and carrying out impactful work with local communities. At the organisational level, there is likely an increased trend of “pay-to-play” philanthropy, where wealthy capitalists flushed with funds are highly sought after as board members for non-profits for their potential to immediately donate or attract funding, but bring little value in enhancing the capacity or impact of the organisations they join. Over time, this may lead to the domination of capital-focused non-profits, whose successes are defined

by their abilities to attract and manage funding, instead of the impact they deliver to local communities and social needs. This overall commodification of philanthropy may deter or drive away other donors and philanthropists who may feel disillusioned by the over-financialisation of the philanthropic ecosystem.

The potential that DAFs can play in mitigating these issues lies in how donors use them to contribute needed capital flows into the ecosystem while leaving the operational aspects of the non-profit sector to be managed by professional non-profit leaders. This may mean finding a way to create a platform and promote processes for DAF users and non-profit organisations to meet as “equals”, adjusting the power dynamics and influence of financialisation on the philanthropic ecosystem. With wider access to DAF users, non-profits may be able to access philanthropic capital while aligning with like-minded donors.

Hybridity: Asia Inc., Bossy States and Social Renaissance

Assessing APC’s scenarios for the future of Asian philanthropy, Singapore is less likely to fall under the “Land Mines” scenario compared to other Southeast Asian counterparts due to relatively higher political legitimacy and socio-political stability. Instead, it is more likely to cumulate into a hybrid of “Asian Inc.” and “Bossy State”, with the potential for the characteristics of a “Social Renaissance” to also emerge in certain social issue areas.

Based on these considerations, we can deduce that this hybrid scenario may be beneficial future for Singapore in three ways. Firstly, the larger emergence of corporate presence and power under a strong-state society paves the way for strong 3P (Public, Private and People sectors) partnerships to co-create solutions and co-own public responsibility to meet social equity and sustainability goals. This is predicated upon the initiative from the state to find opportunities for corporations to participate in policy implementation, which is not an unlikely situation. For instance, as part of the Singapore Government’s push to emerge stronger from the Covid-19 pandemic, it organised 9 Alliances for Action (AfA) in June 2020 to steer nine sector areas which comprised private, and people sector leaders working alongside designated public agencies to spearhead new collaboration and solutions⁵.

5 Ministry of Trade and Industry (MTI), 2023. Accessed from: <https://www.mti.gov.sg/FutureEconomy/AFAs>

Secondly, beyond tapping into corporate leaders' skill sets, the rise of corporations can be a major upside for corporate philanthropy, as well as emerging business families entering into philanthropy. Both trends need to be leveraged by the state through an alignment of policy, tax incentives and platforms for collaboration to give these stakeholders a role on stage to co-create Singapore's future. This is particularly useful for Singapore if the channelling of private capital can cushion public expenditure in areas such as education, healthcare and social protections and development, without having to raise the Goods and Service Tax (GST) or corporate taxes. The challenge however lies in calibrating the right incentives to bring corporations and new business families into structured giving, while allowing them to develop a sense of ownership and commitment to philanthropy beyond short-term incentives. In this context, DAFs provide a viable platform to streamline corporate philanthropy without the need for a highly sophisticated corporate foundation at the onset.

Finally, the upside potential for Singapore's future in a "Social Renaissance" may come in the form of scaling the existing practice of social services and philanthropic intermediaries engaging with donors to support social needs on the ground. One such notable example presently would be The Majority Trust (TMT), a philanthropic organisation that focuses on fundraising, grant-making and impact-building with an emphasis on being involved in the entire journey by gleaning, granting and galvanising the philanthropic ecosystem. Philanthropic organisations like TMT will be important actors in making a "Social Renaissance" outcome more possible, lending their expertise to connect donors with social needs. In this respect, DAFs can be a useful platform to scale these processes further, with philanthropic organisations like TMT leveraging on working with DAF sponsors to curate philanthropic offerings and DAF-led grants for donors to quickly get involved and deploy capital or commit an endowment.

Drawing on these future scenarios, the synergy DAFs can bring to the philanthropic ecosystem is their ability to integrate and benefit from the financialisation trends, as well as provide private capital with a means to connect with public and people sector players in supporting social needs in Singapore. These potentials can be realised if the necessary infrastructural and policy conditions are made possible to enable donors, intermediaries and non-profits to find alignment towards building a robust and diverse DAF ecosystem.

The Future of Donor Advised Funds in Singapore: 3 Pathways

As Singapore propels itself into being a regional hub for philanthropy and financial innovation, the trajectory of DAFs is poised to play a central role in shaping the nation's philanthropic landscape. With an increasing emphasis on social responsibility, sustainable development, and cross-sector collaboration, Singapore is witnessing a burgeoning interest in DAFs as a strategic vehicle for impactful giving. As the nation continues to evolve into a philanthropic powerhouse, the future of donor-advised funds holds the promise of not only amplifying individual and corporate giving but also fostering innovation, financial prudence, and community engagement.

We present three possible but non-mutually exclusive pathways in examining the future of Singapore's DAFs and its ecosystem. These pathways offer possible trajectories that would outline the future of Singapore's DAF ecosystem taken by different institutional actors. In examining these pathways, readers can better appreciate the benefits and limitations these ideas bring to the table

Pathway 1: White-Label DAFs

In this scenario, white-label DAFs take centre stage, becoming the predominant model for facilitating DAF-driven philanthropy. Wealth management firms and financial institutions will work closely with DAF sponsor organisations, as the latter offers customised, white-labelled DAF solutions to wealth management firms and financial institutions for their clients. These funds provide donors with a seamless, branded experience, allowing financial institutions to maintain a strong presence in the philanthropic landscape without extensive development or infrastructure costs. While this approach may enhance accessibility and brand recognition, concerns may arise about potential standardisation, reducing the diversity of options available to donors.

Benefits:

- **Brand Recognition:** White-label donor-advised funds provide financial institutions with a platform to reinforce and extend their brand into the philanthropic space, enhancing visibility and credibility.
- **Cost Efficiency:** Leveraging existing infrastructure allows for cost-effective entry into the philanthropic sector, enabling financial institutions to offer donor-advised funds without extensive development expenses.
- **Streamlined Experience:** Donors benefit from a seamless and integrated experience, utilising familiar interfaces and processes from their financial institution.

Limitations:

- **Standardisation Concerns:** The prevalence of white-label solutions may lead to a standardized approach, potentially limiting the diversity of fund structures and features available to donors.
- **Potential Lack of Innovation:** Focusing on cost efficiency may discourage innovation, hindering the development of new and creative ways to address philanthropic challenges.
- **Limited Independence:** Donors may feel constrained by the institutional framework, potentially limiting their ability to customize their philanthropic strategies.

Pathway 2: Banks Establish Internal DAFs Platforms

Banks decide to establish their own DAF platforms instead of opting for a white-label option. This will lead to forming or expanding their dedicated philanthropy teams within their own organisations, developing a full suite of philanthropy services to serve and respond to DAF products and related services. This scenario envisions a holistic approach where banks integrate philanthropic advising into their suite of financial services within their own organisations, instead of collaborating or utilising a third-party service provider. They may still outsource back-end DAF services to third-party administrators. Clients benefit from comprehensive financial planning, including charitable giving strategies. However, challenges may emerge regarding the independence and impartiality of advice, with questions about potential conflicts of interest between financial and philanthropic objectives. These DAF platforms are also likely only eligible among the bank's pool of clients, resulting in clients needing to place a certain minimum AUM to access services. Striking the right balance between financial services and philanthropic impact becomes a key challenge.

Benefits:

- **Comprehensive Financial Planning:** Banks integrating dedicated philanthropy teams can offer clients comprehensive financial planning that seamlessly incorporates charitable giving into overall wealth management strategies.
- **Holistic Client Relationships:** Establishing philanthropy teams strengthens client relationships by providing personalised advice that aligns both financial and philanthropic objectives.

- **Trust and Expertise:** Banks' credibility in financial services extends to philanthropy, fostering trust among clients seeking a unified approach to their financial and charitable goals.

Limitations:

- **Potential Conflicts of Interest:** Balancing financial interests with philanthropic objectives may lead to potential conflicts of interest, requiring robust ethical guidelines and transparency.
- **Resource Allocation Challenges:** Banks may face challenges in allocating sufficient resources to build and sustain specialized philanthropy teams, affecting the quality and availability of philanthropic advice.
- **Limited Accessibility:** This model may be more tailored to high-net-worth clients, potentially excluding a broader segment of the population from comprehensive philanthropic planning services.

Pathway 3 : Proliferation of New DAF Sponsors and Types

This scenario involves a surge in the entry of new DAF sponsors, accompanied by the introduction of diverse types of donor-advised funds. Each sponsor will run their own DAF system. Philanthropic startups, technology companies, and non-traditional players enter the scene, offering innovative DAF models tailored to specific causes or demographics. The market witnesses a proliferation of specialized funds, such as impact-focused DAFs, regional funds, and themed funds. While this diversification increases options for donors and potentially addresses specific community needs, concerns may arise about the sustainability and oversight of these new entrants, requiring careful regulation and monitoring.

Benefits:

- **Innovation and Diversity:** The influx of new DAF sponsors introduces innovative models and diverse fund types, catering to a wide range of causes, regions, and donor preferences.
- **Community-Centric Solutions:** Specialised funds can address specific community needs and niche causes, fostering a more direct and impactful connection between donors and the charitable projects they support.
- **Increased Accessibility:** The proliferation of DAF sponsors can enhance accessibility for donors, offering a variety of entry points and options for individuals with different philanthropic interests.

Limitations:

- **Sustainability Concerns:** The rapid entry of new players may lead to concerns about the long-term sustainability and accountability of these organisations, necessitating careful regulation.
- **Oversaturation:** A multitude of specialised funds may lead to oversaturation and confusion for donors who may be overwhelmed by the choices, requiring effective communication and educational efforts to help donors navigate their choices.
- **Regulatory Challenges:** Regulators may face challenges in adapting quickly to the evolving landscape, potentially leading to gaps in oversight and compliance.

Based on the above pathways, it is expected that Singapore's DAF ecosystem will likely benefit from Pathway 1 in terms of minimising sunk-in costs at an early growth phase. A white-label DAF approach can easily allow financial institutions to leverage the capacity and expertise of existing DAF sponsor providers to quickly provide DAFs as part of wealth advisory and philanthropic offerings. The white-label option is also suitable for the initial stages as the present demand for DAF services may still be nascent in both scale and sophistication.

Pathways 2 and 3 are predicated upon the growth trajectories for Singapore's DAF ecosystem. Based on current estimates, Singapore is likely to see a transitional growth from Pathway 1 to 2, where some financial institutions, owing to successful instances of their white-label or existing DAF platforms may continue developing their own DAFs in a bid to internalise specialisation and governance. These moves will see further integration between philanthropy and wealth management, as financial institutions take on a much more involved and active role in growing this ecosystem.

Meanwhile, rapid growth in terms of scale and sophistication in the short period may also make Pathway 3 viable, as the burgeoning demand will lead to new market entrants and innovation in response. Under this scenario, rapid market segmentation and specialisation will occur before the ecosystem falls into an equilibrium based on a highly diversified and sophisticated system of players who can provide specialised and niche DAF offerings and philanthropic services to their target audience. Financial institutions will also benefit from this, as they may further specialise their wealth management segment, and work with other players to provide a curated suite of DAF offerings and experiences that stands out from others.



Growth Potential and Recommendations

Introduction

The recommendations proposed are assessed based on their relevance, importance, and urgency to the respective projected scenarios of Singapore's future as a philanthropic hub as well as learning points from the US DAF ecosystem's experiences. These assessments take into consideration how the recommendations will provide the necessary infrastructural and policy foundations to achieve the goal of building a robust and diverse DAF ecosystem in Singapore.

In this report, we propose several targets to reach Singapore's market potential for DAFs, along with nine recommendations based on the above considerations and research findings.

Market Potential of DAFs:

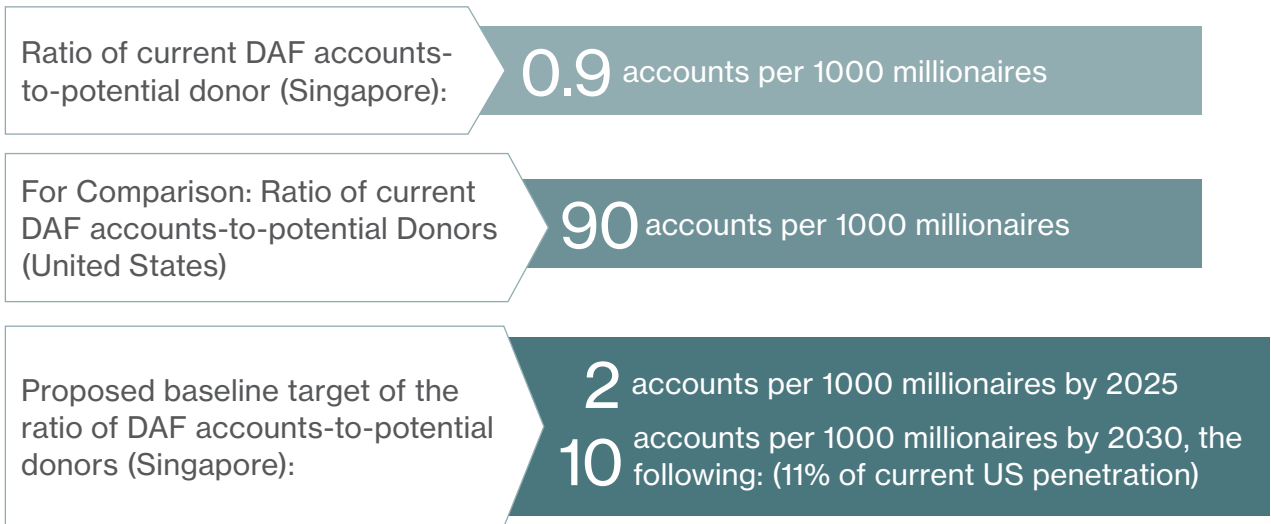
Focus on growing and consolidating larger pools of DAF assets to allow for the DAF ecosystem to enjoy benefits brought about by increased participation, lower administrative cost, and more innovations in philanthropy.

DAFs have the potential to attract an influx of private capital as a result of increased philanthropic activities by corporations and business families. A larger pool of DAF assets under management (AUM) allows for more business activities for the DAF ecosystem in terms of increased innovations, lower administrative costs, and greater participation.

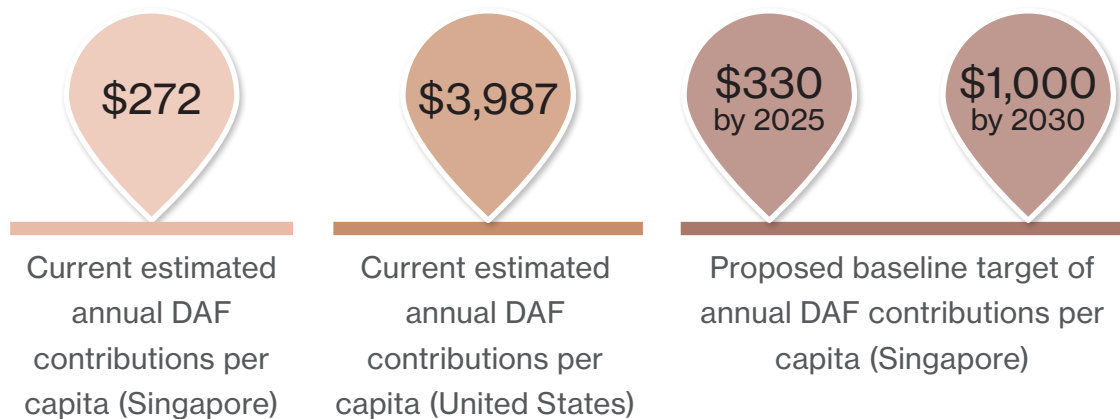
To establish a baseline target for expansion, this report takes into consideration the existing DAF assets in Singapore and assesses it against the present number of potential donors (defined by the total number of millionaires in residence). At this moment, Singapore has estimated around 307,000 millionaires, with experts projecting this figure to reach an estimated 700,000 by 2030.

Comparing that with the present numbers in the US, this report suggests that Singapore's DAF ecosystem has immense potential for growth, and proposes the following targets:

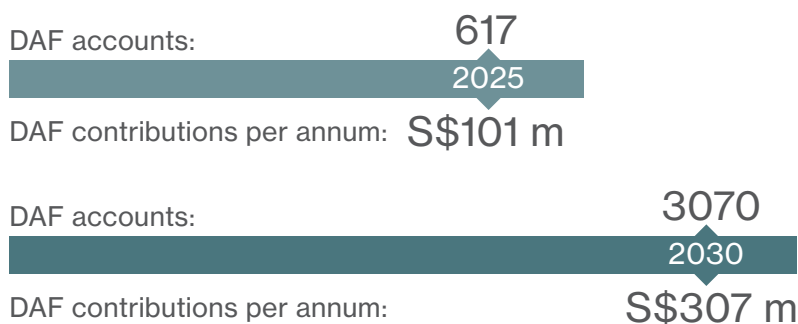
Growth Potential of Number of DAF accounts



Growth potential of annual DAF contributions per capita of potential donors (millionaires):



Proposed growth potential in actual numbers based on present potential donors (307,000 millionaires) (Singapore):



The above targets are only possible if transformations to the existing DAF ecosystem are realised. Below are suggested recommendations to achieve the market potential:

1. Lower minimum threshold for DAF accounts:

The most significant barrier to greater DAF participation among donors is in the current minimum threshold for DAF accounts. Interview findings with potential donors suggest that the biggest inertia in considering DAFs is the high upfront minimum sum of anywhere between S\$50,000 and S\$250,000 to open a DAF account. In comparison, major DAF sponsors in the US have lower threshold amounts between US\$10,000 and US\$25,000, with some others such as Fidelity and DAFFY offering no minimums, instead covering the cost through alternative DAF-related business activities.

2. Investments into fundraising and donor-centric experiences

An important consideration for DAFs is the separation between donating and grant-making. Current analyses reveal that Singapore's DAF sponsors market DAFs as either accessible to ultra-high net worth (UHNW) individuals, or with greater emphasis on grant-making as a donor's total experience. While these strategies reflect the current demographics of DAF users, investments into enhancing fundraising processes and donor-centric experiences may open up new demographics of donors, scaling DAF account users and creating new opportunities for DAF to venture into. One such example is in working with corporations to set up DAF accounts for employees to donate to and select meaningful causes that their corporations care about as part of corporate giving strategies, or to create named-fund platforms that function as an all-in-one philanthropy-as-a-service package priced for donors seeking a foundation experience at DAF prices.

3. Further market segmentation of DAF offerings and business models

Current DAF products in Singapore's market offer a whole-of-donor journey experience, with administrative costs arising through philanthropic advisory and fund management and charged to donors. This report concurs with findings from interviews that while such experiences may be attractive to donors who want a "high touch" service approach to philanthropy, further market segmentation based on different needs is possible, with donors recognizing the tangible or intangible benefits of different DAF offerings and selecting them based on their needs.

Beyond market segmentation, DAF sponsors may consider extending different business models and verticals to create new streams of revenue to reduce the burden of cost on donors or increase service quality and offerings. These considerations are critical in extending the sources of revenue beyond the donor. One such example sponsors may consider are "white label" DAFs, which allows organisations to name their DAF giving accounts while simply utilizing the sponsor as the fund administrator. This allows DAF sponsors to market these white label DAFs as opportunities for organisations to control the brand and fundraising aspects of their giving portfolios.

4. Identify and close common gaps for innovation and human capital needs in DAF ecosystem

The building of a robust DAF ecosystem can be accelerated by identifying and closing innovation and human capital gaps commonly experienced by DAF sponsors.

The most critical innovation gaps identified by stakeholders are:

- Lack of a DAF-focused convening platform for problem identification, sharing of solutions and best practices, and solidarity to build a stronger DAF ecosystem (eg. DAF Giving Summit).
- Low levels of digitalisation to enhance DAF users' and sponsors' experiences due to the high cost of advancing digitalisation solutions individually.

- Lack of talents who have expertise and experience in both non-profit and fund management areas to navigate and innovate the DAF ecosystem.
- Lack of DAF-focused training and specialisation based on a skills roadmap to identify and prepare the required expertise for the ecosystem's needs.
- Lack of transition programmes to prepare and convert philanthropy advisors or finance professionals for potential careers in the DAF ecosystem.

5. Open more ways to deploy DAF funds for impact-related funding

Currently, disbursed DAF funds can only be used for specific investment or charitable purposes that may limit the impact of both grants pay-out as well as the existing AUM not disbursed. Policymakers and sponsors organisations should work closely together to identify possible opportunities to expand how DAF funds may be unlocked for selected impact investments, social enterprises or impact bonds purposes, while staying true to ensuring charitable assets directly benefit local communities and social causes.

6. Devise mandatory distribution/activity clauses or different classes of DAFs based on purposes

Sponsors and policymakers may set mandatory minimum distribution/activity clauses for DAFs to encourage more grant-making while maintaining relatively healthy levels of payout (~65-80%) as accounts and AUMs increase. Such minimum distribution/activity clauses must however be carefully calibrated in tandem with the DAF growth to deter hoarding of funds as the sector develops. But this must not be implemented too early so as not to stifle or disincentivize donors at the early take-up stages.

Alternatively, devise separate classes for DAFs with tax deductions corresponding to purposes for flow-through and endowment class DAFs. This allows for differentiated tax incentives to create greater giving for both in the short term (eg. flow-through) and the long-term (endowments).

7. Increase awareness and incentives for DAF as a philanthropic vehicle in Singapore.

More than 95% of respondents interviewed attributed the lack of understanding and take-up rate of DAFs to the low awareness among financial institutions and non-DAF sponsor related philanthropic advisers around how DAFs' utility as a philanthropic vehicle for their clients.

Related to the low awareness is the lack of incentive structures and understanding around how DAFs, and philanthropy more broadly, may be beneficial for wealth advisers to share with their clients. A common concern raised among financial institutions interviewed is that philanthropic capital is not often seen as a priority as wealth advisers are not remunerated as much for attracting philanthropic capital as they do for capital for other purposes.

8. Promote transparency and vibrancy of DAF funding opportunities

Equalising the power among donors, sponsors and non-profits can mitigate some concerns around the growing influence of DAF capital on non-profits. This starts with increasing transparency on DAF usages, purposes and activities. While maintaining some level of discretion in terms of donors' DAF ownerships may be retained as a constant feature, the DAF ecosystem must come together to find ways of building common platforms to provide opportunities for non-profits to connect with DAF users without excessive gate-keeping.

One such example might be in the setting up or integrating a national-level charity navigator to feature DAF accounts and their preferred social causes, while allowing non-profits to list their social causes or programmes to seek funding. For instance, this DAF-related charity navigator may be integrated with the existing one-stop giving portal, Giving.sg, managed by the National Volunteer & Philanthropy Centre.

Meanwhile, setting ecosystem standards and endorsed industry guidelines around interactions among donors, sponsors and non-profits will go a long to set the right approach towards how charitable funds should be made accessible to non-profits.

9. Policy alignment to streamline regulation and provision of DAF products and services alignment for DAFs for greater effectiveness

Policy alignment to streamline regulation and provision of DAF products and services alignment for DAFs for greater effectiveness

DAFs are uniquely placed as a fund platform administered for charitable purposes. In Singapore, existing policies surrounding charitable funds and fund management relating to DAF are situated across multiple legislations. These policies may contain clauses that inhibit potential participation by financial institutions into the DAF ecosystem due to inconsistencies around how DAFs should be organised and categorised, especially when new innovations to DAF offerings may be.

Moreover, as part of the wider strategy to encourage more giving among family offices, DAFs should be clarified in terms of how they may provide the means to fulfill the current requirements set out in place. For instance, might DAFs be able to fit into the recent Philanthropy Tax Incentive Scheme (PTIS) in terms of fulfilling the headcount requirements, should donors not choose to hire internally, and instead outsource their philanthropic activities to a local-based DAF sponsor?

Both instances point to the need for policymakers and ecosystem stakeholders to clarify potential issues and align DAFs into existing philanthropic schemes in order to further incentivise their uses among family offices.



Concluding Remarks



The compelling business case for DAFs as an integral component of Singapore's aspiration to be Asia's philanthropic hub is evident. Drawing inspiration from the powerful impact witnessed in the United States, there is immense potential for DAF to play a transformative role in our local landscape. However, the current situation in Singapore necessitates a meticulous examination to propel initiatives forward.

As we navigate this juncture, the crux lies in aligning recommendations for infrastructure, policy, and ecosystem development to drive and support growth in the demand for giving in the future. DAFs are not just a philanthropic vehicle; they have the ability to become a rich platform for growth and engagement in philanthropic activities, not only within Singapore's borders but extending their impact throughout Asia and beyond.

The groundwork laid today will undoubtedly shape the landscape of philanthropy in Singapore and position DAFs as a powerful catalyst for positive change. Together, we stand on the brink of a new era in philanthropy, where strategic foresight and collaborative efforts will pave the way for a more impactful and sustainable future.



Part Two

Appendix

Research Data and Findings from
Singapore's DAF Landscape



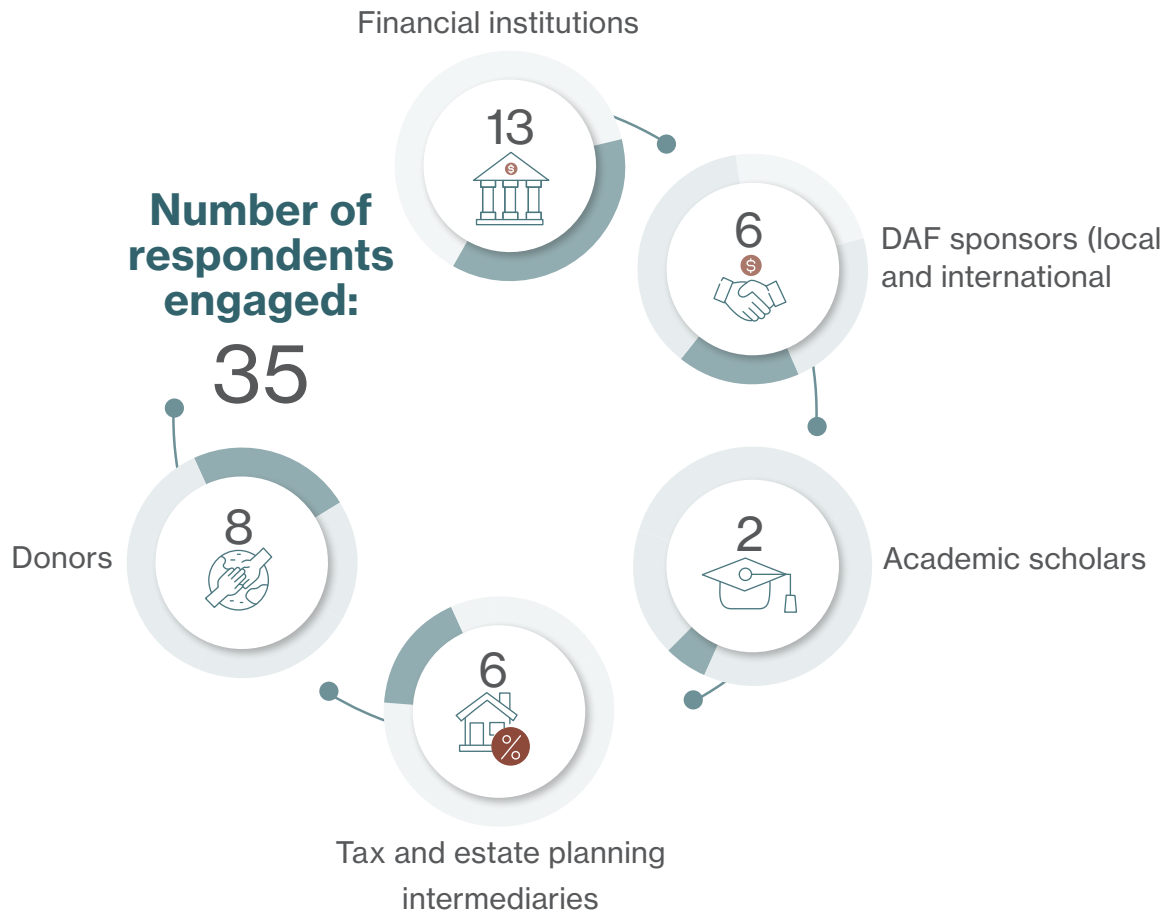
Research Info and Methodology

This research report draws on findings from three major sources of data.

The first source is an archival analysis of 114 journal articles, book chapters and op-eds from established sources around DAFs from the organisational and ecosystem points of view. The literature's data were collected, assessed, and categorised to inform the various frameworks and assessment tools incorporated in this report. Findings were also incorporated into the analytical data. For a list of the literature reviewed, please find them under "Resource References".

The second source of data comes from 27 in-depth interviews with PBIG members, financial institutions, academics, and tax and legal intermediaries that provide estate planning or philanthropy-related advisory. The interviews were conducted between June and September 2023 and focused on three areas of analysis. The first area covers general sentiments of the DAF ecosystem in Singapore across thirteen scales relating to perceptions around interest levels, engagement among stakeholders, and the strategic significance of DAF to philanthropy. The second area focuses on organisational-specific questions about respondents' experience with DAFs, either as a sponsor, adviser, and/or donor. The last area examines the broader philanthropy landscape in terms of human capital, innovation, and policy-related concerns. All respondents' information is anonymised to ensure confidentiality and non-attributive to specific organisations. Instead, the data is presented in an aggregated format.

The final source of data comes from 8 in-depth interviews with DAF donors on their motivations, experiences, and outcomes of using DAFs in their giving journeys. The interview focuses on how DAFs have changed their giving structures, philosophy, or amount of giving, as well as possible areas of improvements sponsors can provide in creating a better experience for donors. All respondents' information is anonymised to ensure confidentiality and non-attributive to specific donors. Instead, the data is presented in an aggregated format. Following that, a feature segment consisting of two highlighted donors will be presented as part of incorporating a human-story element into the donors' profile. For the donors featured, expressed permission was sought to share their stories and experiences in the report's findings.



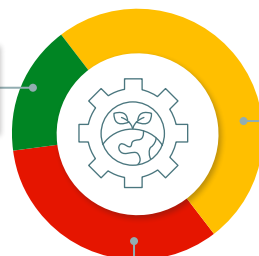
Main areas of analysis:

Ecosystem Analysis

- Who are the main ecosystem partners in the DAF ecosystem and how adequately prepared are they to meet Singapore's aspiration as a philanthropy hub of Asia?

☑ Out of 18 sub-areas identified:

3 areas are adequately prepared (Green)



9 areas are prepared but more can be done (Amber)

6 areas are not adequately prepared (Red)

Sentiments Analysis:

- Interest levels around DAFs
 - Knowledge and awareness levels around DAFs
 - Readiness levels around offering/supporting DAFs-related products and services
 - Importance of DAFs to Singapore's philanthropic ecosystem
-

Organisational Pain Points

- Challenges or limitations around offering/supporting DAFs-related products and services within the organisation
 - Prospective solutions to address challenges or limitations
 - Importance of DAFs to Singapore's philanthropic ecosystem
-

Market Analysis

- Profile typology of DAF donors and their needs
- Profile typology of non-profits relating to DAFs and their needs
- Gaps between donors and non-profits needs

Ecosystem Analysis

In the Ecosystem Analysis, we identified 18 sub-areas which are critical ecosystem partners for a robust and diverse DAF ecosystem. These sub-areas were adapted from existing analyses of mature DAF ecosystems such as in the US.

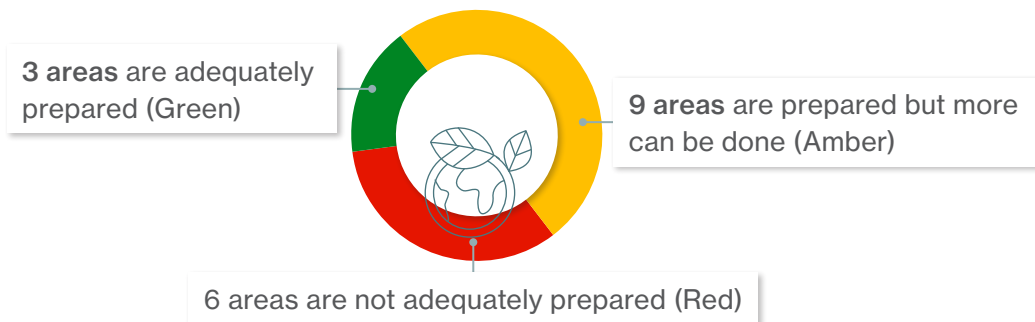
In each of the sub-area, we assessed its adequacy based on three criteria:

- 1 the number of partner organisations who are currently maintaining/providing respective functions
- 2 the extent of services or product offering in terms of diversity to meet different donors' needs, and;
- 3 successful or role model organisations in the sub-area that showcase the robustness of Singapore's DAF ecosystem.

These criteria form the basis of our assessment across three colour banding:

- Green: ecosystem sub-area meets all the above criteria adequately.
- Amber: ecosystem sub-area meets two or more of the above criteria but has areas to improve/enhance on.
- Red: ecosystem sub-area meets one or less of the above criteria

Out of 18 sub-areas identified and evaluated through the three criteria, the following is our assessment of the DAF ecosystem at present.



Adequate	Slightly Inadequate		Not Adequate
Financial Institutions	Sponsor Organisations	Complex Assets	Administrative Technology
Legal and Accounting	Research and knowledge	Due Diligence Service	Ecosystem Convenors
Operating Charities/ Non-profits	Philanthropic Advisory	Media and Publicity	Data and Aggregators
	International Grant-makers	Grant Management	DAF-enabled impact investments
	Grant Payments		Charity Portals
			Back-end Services

Sentiment Analysis

In sentiment analysis, we asked interviewees about their perceptions of confidence for DAFs in Singapore based on four key areas across a Likert scale of 1 – 5, where 1 indicates least confidence, 5 most confidence, and 3 being neutral. The key areas covered are:

- Interest levels around DAFs
- Readiness levels around offering/supporting DAFs-related products and services
- Importance of DAFs to Singapore’s philanthropic ecosystem

Each key area is accompanied by a set of questions, and interviewees are asked to give a score based on their perceptions. The scores are then tabulated and presented in two ways.

First by an aggregated average score (out of 5) across, and second, the aggregated average scores of two groups consisting of “supporters” and “sceptics”.

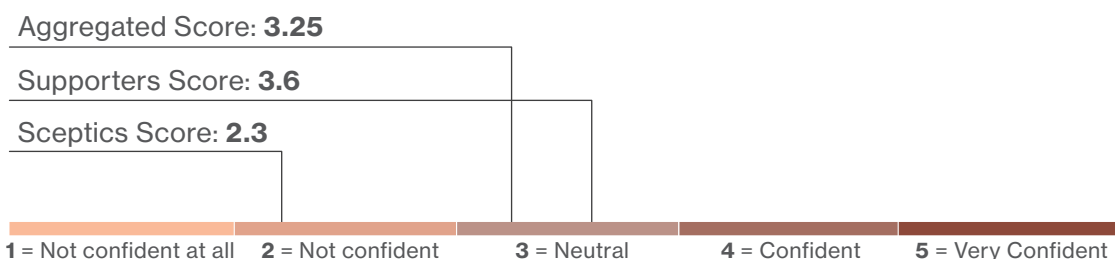
Supporters refer to interviewees who have an overall perception score of more than 3 (>3) across all three key areas, while sceptics refer to those with an overall perception score of 3 or less. The purpose of presenting these two groups is to allow readers to contextualise the aggregated scores in reference to these two groups.

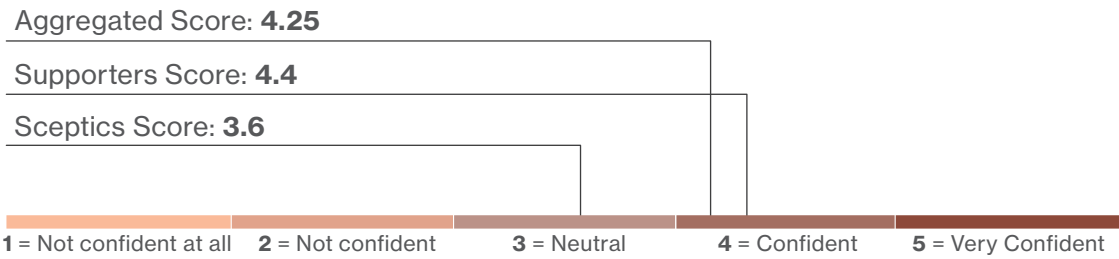
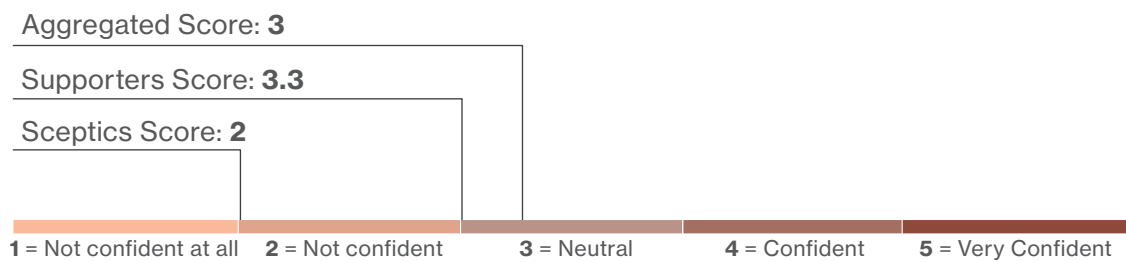
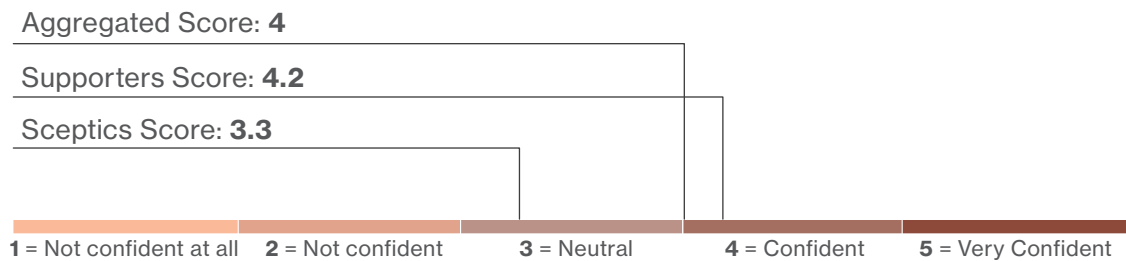
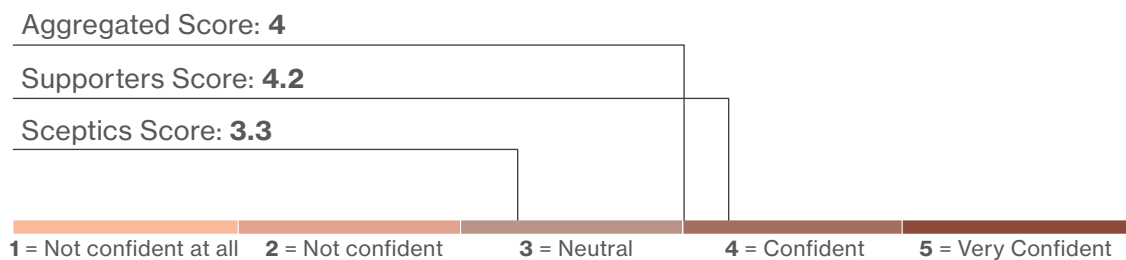
Likert Scale:

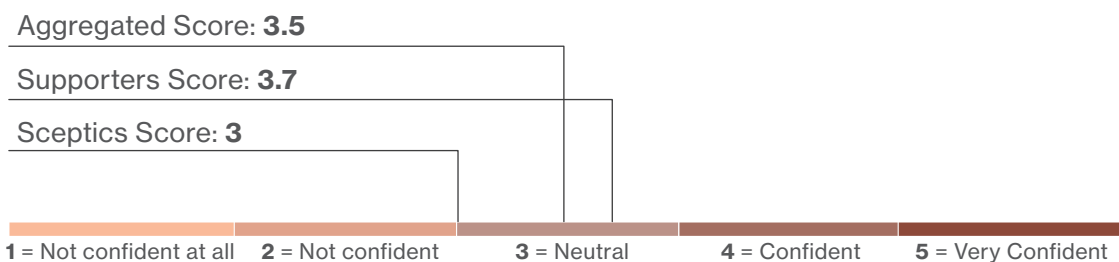
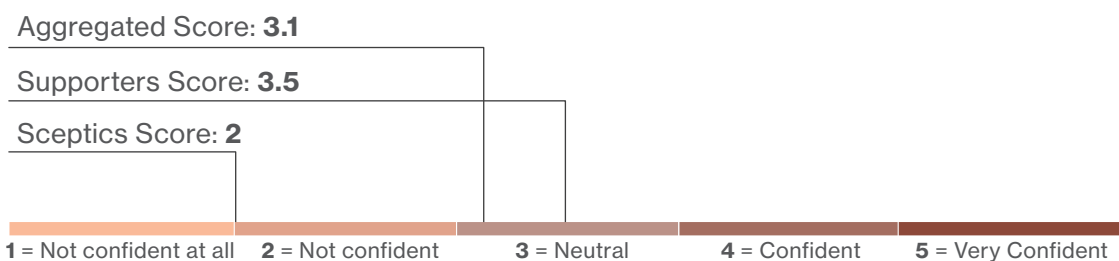
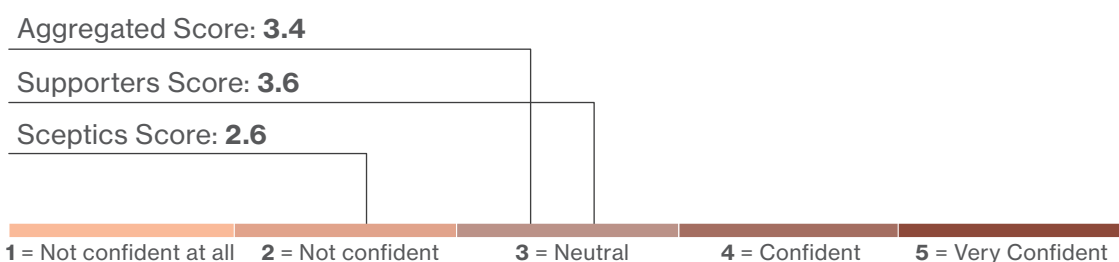
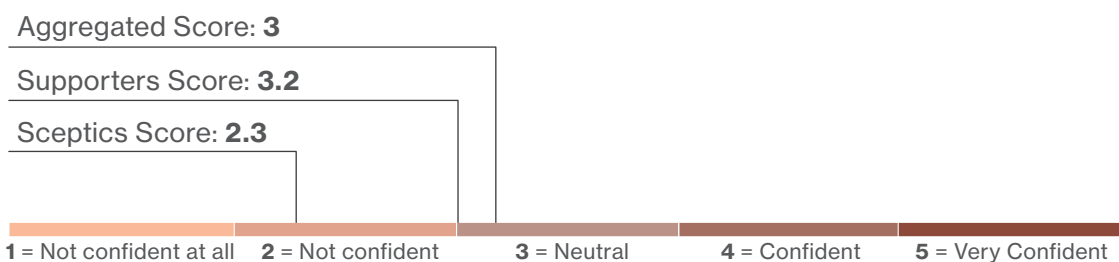


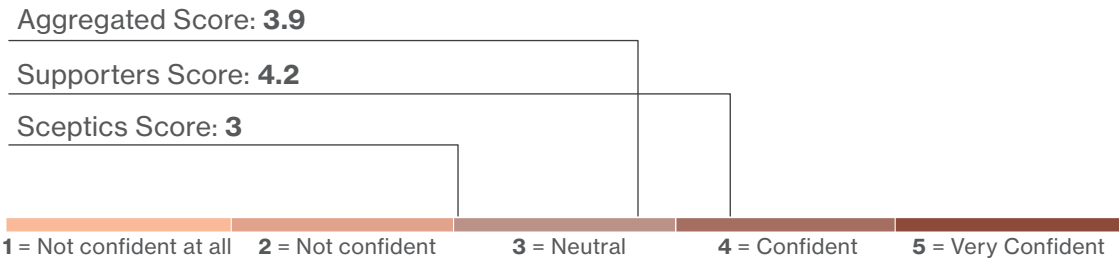
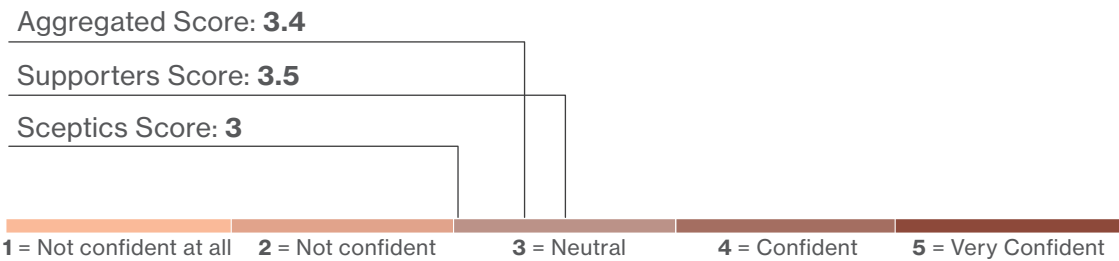
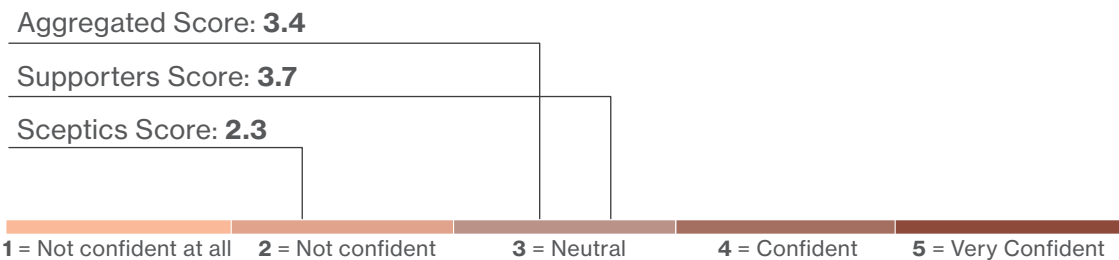
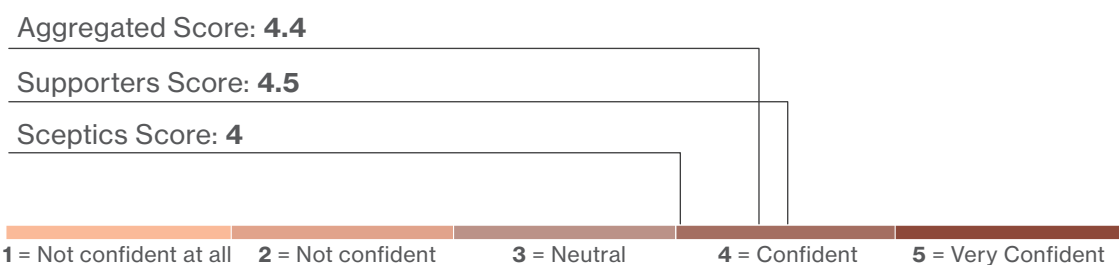
Interest Levels and Demand Around DAFs

Current interests around DAFs by clients in Singapore



Future interests around DAFs by clients in Singapore*Current Level of Demand for DAFs by existing or potential clients**Future Level of Demand for DAFs by existing or potential clients***Readiness Level of DAF Ecosystem:***Current readiness level of DAF sponsor organisations to meet DAF ecosystem needs*

Future readiness level of DAF sponsor organisations to meet DAF ecosystem needs*Current emphasis by one's own organisation to develop capabilities to offer or support DAF or DAF-related services**Current level of integration or capabilities to offer or support DAF or DAF-related services**Current readiness level by ecosystem partners and stakeholders to support DAF or DAF-related services:*

Future readiness level by ecosystem partners and stakeholders to support DAF or DAF-related services*Current government policies around DAFs and philanthropy***Importance of DAFs to Singapore's philanthropic ecosystem***Current importance of DAF to Singapore's philanthropic landscape**Current government policies around DAFs and philanthropy*

Partners' Experiences and Pain Points

We have outlined and reached out to ecosystem partners and stakeholders in the following five areas and asked them what the three most considerable benefits and challenges that they faced while engaging in DAFs were:

Listed below are each of their individual top three benefits and challenges in ascending order:



Existing DAF Users

Benefits

1. Hassle-free administrative requirements and cost-effective as a philanthropic vehicle
2. Access to high-quality donor or philanthropic advisory to identify and guide giving.
3. DAFs allow donors to mark personal or sentimental significance through the funds.

Challenges

1. Lack of awareness and information about DAFs as a philanthropic vehicle.
2. Lack of access to neutral philanthropic advisory expertise on DAFs to advise giving.
3. Concerns around funds being restricted to specific charities by DAF sponsors.



Financial Institutions (FI)

Benefits

1. Maintains or increases HNW and UHNW clients' Assets Under Management (AUM) with the FI.
2. Provides clients with wider choices of philanthropic services under FI.
3. Precedence and success of DAFs offered by regional or global offices (US, Europe).

Challenges

1. Lacking a *compelling business case* to set up a viable DAF offering in Singapore.
2. Regulatory challenges for FI to set up DAF products due to existing policies (e.g. Permitted businesses under Banking Act).
3. Lacking in knowledge and training in specialised philanthropy advisory skills to help philanthropy teams and wealth managers effectively integrate DAF into wealth planning conversations.



DAF Sponsor Organisations

Benefits

1. New asset class and demographics of donors identified for structured giving.
2. More philanthropic capital for circulation and impact.
3. DAFs offer a fast, flexible, and private option of setting up structured giving.

Challenges

1. Lack of awareness and information about DAFs as a philanthropic vehicle.
2. Lack of support in addressing due diligence and anti-money laundering requirements.
3. Singapore's DAF ecosystem remains rudimentary and small in scale, and not yet adequately connected for regional and global giving, compared to the US.



Professional Services (Tax, Legal, Philanthropic Advisory)

Benefits

1. Cost-effective and low-barrier entry point for clients to structure their giving portfolios.
2. Enable donors to capitalise on tax deductions during major liquidity or high tax events while postponing and spreading out grant-making and disbursement of charitable funds.
3. Enable donors to be more involved and participative in their philanthropic journey

Challenges

1. Lack of awareness and hesitancy around DAFs as a philanthropic vehicle by clients.
2. Inertia around paid philanthropic advisory services.
3. Lack of convening the ecosystem to spur new thought leadership and business activities for DAFs in Singapore.



Intermediary Grantmakers and Charity-based Non-profits

Benefits

1. Saves time and energy on fundraising as DAF donors may commit to consistent giving over a period, instead of just a one-off gift.
2. DAF donors are much more readily able and willing to give compared to conventional donors.
3. Donors tend to be more involved in the know-your-grantee processes and learn basic but effective strategies to enhance philanthropic skills.

Challenges

1. Lack of directory or accessibility platform to locate and seek out DAF users.
2. Charities with closer ties with DAF sponsor organisations may have more advantages being accessed by DAF users.
3. Limited ways which DAF funds may be used for impact-investment or related purposes

Donor Analysis

In this part of the findings, we further examined how and why DAF donors give:

DAF Donors

This report profiles donors using what Heist et al (2023) describe as the “Tubs, Tanks and Towers” donor framework. Below is a summary of what each category of donor profile means, and how it relates to their giving behaviours and trends.

	“Tubs” (1 – 2 years)	“Tanks” (2 – 10 years)	“Towers” (10+ years)
Contributing strategies	Mostly annual	Mostly lump-sum, but giving annually as well	A mix of annual and/or lump-sum with pay-out rates
Importance of tax savings	Somewhat important	Somewhat to very important	Very important
Philanthropic intent	A clear goal of the recipient, with consistent giving	A somewhat clear goal of the recipient, but may give inconsistently	May have an unclear goal of the recipient, but may give consistently
Grantmaking behaviour	Most annual	Annual, major gifts and episodic	Annual, major gifts, episodic, bequest
Family involvement	Sometimes	Often	Always
Investment interest	Not so interested	Mixed	Mixed, but higher interest
Investment strategy	Short-term	Intermediate to long-term	Long-term, social impact

While the above context applies to DAF users in the United States, the “Tub, Tanks and Towers” donor framework is still useful to help us characterise existing and potential DAF users in Singapore.

Based on interview findings and archival data from DAF sponsor organisations, around 75% of Singapore’s DAF users are made up of “Tubs” and “Tanks” donors. The remaining 25% of DAF users make up the “Tower” donors. With a high pay-out rate of 60 – 80%, this means that Singapore’s DAF users are often able to disburse their philanthropic capital either through annual contributions or via a lump-sum pay-out.

Data from sponsor organisations in Singapore suggest that the top three giving areas made by “Tubs” and “Tanks” donors are (1) social and welfare, (2) health and medical care, and (3) education at an estimated 31%, 29% and 21% respectively. On the other hand, “Towers” donors may give as much as 57% to other causes such as animal welfare, environment, and social enterprises, and around 30% to primary to education.

The significance of this framework in profiling Singapore’s DAF users is twofold. Firstly, this framework allows us to understand the driving forces behind the donors’ profiles, providing us with relevant information to inform our recommendations in growing the existing demographics of DAF users within and beyond these profile pools. Secondly, it also shows how DAFs may appeal to different members of business families, and these members may exhibit different profile characteristics that signal differences in their giving behaviour and engagements with other members of the family.

In Singapore, due to the higher numbers of “Tubs” and “Tanks” donors, it would be meaningful to continue the focus on donor journeys and assistance to enable “Tanks” donors to build their philanthropic capital for the eventual lump-sum gift. At the same time, a focus on convenience, lower minimum outlays, and new innovations to giving will appeal to new “Tubs” donors, increasing their participation. The significantly lower number of “Towers” donors also signal new opportunities as DAF sponsor organisations can create innovative social-impact related investment options within their DAF platforms to attract more “Towers” donors to consider DAFs as a possible strategy to maximise their impact while stretching their principal sum as best possible.

The influx of family offices’ participation in DAFs will also see tremendous opportunities for all three demographic segments, as they would appeal to different members. For family offices and principals who would like to integrate their wealth preservation strategies with philanthropy, DAFs provide a good first step to set out the strategic and philosophical aspects of the giving journey, while keeping costs low until the donor is ready to expand and further leverage their giving. DAFs also allow other members to participate in giving while being independent of the family’s main philanthropic structure, allowing for more diverse forms of giving.

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About the Asia Centre for Changemakers

Hosted by the Wealth Management Institute, the Asia Centre for Changemakers (ACC) aims to build capacity and nurture a strong pipeline of active and informed changemakers with a focus on Asia. Our mission is to empower these individuals to deploy their resources, skills and passion for a better tomorrow. As Asia's foremost learning lab for philanthropy and impact capital, the ACC is committed to guiding family principals, professionals, advisors and social entrepreneurs in moving up the learning curve, through three key initiatives: Building capabilities, talent, and professionalism in the impact sector; fostering a community of practice; and shaping and sharing Asian-grown thought leadership. The ACC is supported by Temasek Trust and the Philanthropy Asia Alliance.

About the Wealth Management Institute

Established in 2003, the Wealth Management Institute (WMI) is committed to building capabilities for investing in a better tomorrow. Founded by GIC and Temasek, our vision is to be Asia's Centre of Excellence for wealth and asset management education and research. WMI is appointed as Singapore's Lead Training Provider for Private Banking by the Institute of Banking and Finance Singapore (IBF) and supported by the Monetary Authority of Singapore (MAS).

WMI provides a comprehensive suite of practice-based certification and diploma programmes and collaborates with leading universities for master's qualifications. With over 20,000 annual enrolments, WMI provides training in asset management, wealth management, compliance, risk management, family office, as well as the development of the next generation across more than 100 programmes.

WMI helms the Global-Asia Family Office Circle, a network platform that fosters a trusted environment to build capabilities and community in the family office sector. WMI also leads the Impact Philanthropy Partnership, a joint initiative with the Private Banking Industry Group (PBIG) and supported by the Monetary Authority of Singapore (MAS).

About the Impact Philanthropy Partnership

The Impact Philanthropy Partnership (IPP) is a joint initiative between WMI and the Private Banking Industry Group (PBIG), with support from the Monetary Authority of Singapore (MAS). The Partnership aims to bring together family principals and family offices to tackle society's most pressing challenges and issues.

The IPP creates a dedicated series of events and research publications to build greater awareness and momentum for philanthropy and newer models of giving such as venture philanthropy and impact investing.

About the Private Banking Industry Group

The Private Banking Industry Group comprises senior industry leaders and representatives from the private banking industry. It was re-constituted from the Private Banking Advisory Group in 2011, with the support of the Monetary Authority of Singapore (MAS) to further strengthen the competency and market conduct standards of the private banking industry in Singapore. The Private Banking Industry Group Executive Committee comprises the Association of Banks Singapore (ABS) and 14 banks and is co-chaired by MAS and an industry representative from one of the 14 banks.



NOTES