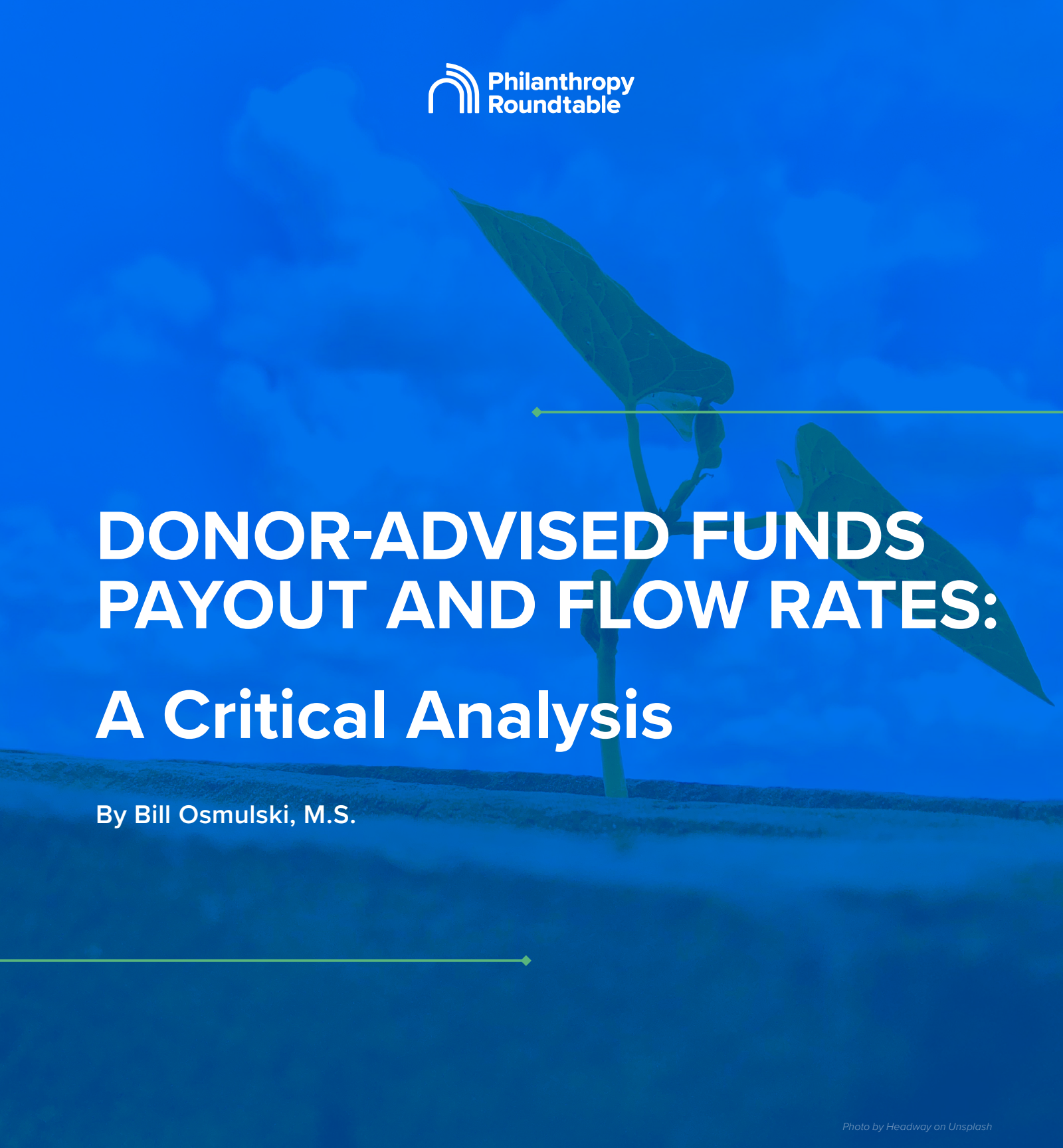
Philanthropy Roundtable

DONOR-ADVISED FUNDS PAYOUT AND FLOW RATES:

A Critical Analysis

By Bill Osmulski, M.S.



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EXECUTIVE SUMMARY

- This study analyzed over 3 million Form 990s acquired directly from the IRS implementing AI technology and advanced data processing techniques.
- It calculated the DAF payout rates for 2019 through 2023 using six different methods as well as the flow rates using both aggregate-level and sponsor-level data.
- It included a simulation of how the six payout rate methods and the flow rate method compare in a controlled scenario.
- Reporting and data management errors throughout the Form 990s present formidable challenges to DAF researchers.
- The payout rate calculation method preferred by DAF critics and the IRS consistently understates grant distributions from DAFs by wide margins.
- DAFs are charitable giving vehicles held by nonprofit sponsors where funds are invested and all the growth must go to operating charities. However, the more successful a DAF is at investing and growing its funds, the lower its payout rate is under all six tested methods.
- Because flow rates focus exclusively on contributions-in and grants-out, it is the most appropriate measure to counter claims that DAFs are warehousing wealth.
- Flow rates throughout this study strongly suggest every dollar contributed to DAFs is distributed within a few years and then some.
- Charities benefit from DAFs, because the original donation is invested and grows, which ultimately results in more funding than if the donor had simply provided a gift directly.

INTRODUCTION

Donor-Advised Funds (DAFs) are charitable giving vehicles solely designed to support charity that also provide some unique benefits to individual donors. Account holders deposit funds into a DAF, the funds are invested and grow, and ultimately the funds are withdrawn and distributed to another tax-exempt charitable organizations. When the donor receives a tax benefit in this process is important. That benefit comes when the donor makes a deposit into the account at a nonprofit DAF sponsor, not when the funds are withdrawn and distributed to other charities.

This simplifies record keeping because donors only have to keep track of how much money they're putting into their DAF, rather than all the different charities that will eventually receive the funds. It also allows the donor to receive a tax benefit right away, which encourages generosity up front. Because of that, the deposits are charitable gifts, and once deposited, the donor cannot control or withdraw those funds.

Only the sponsoring nonprofit organization that manages the DAF may withdraw funds, and it may only do so to invest them, cover administrative costs, or, most importantly, to distribute them as grants to charitable organizations. Charities benefit from DAFs, because the original donation is invested and grows, which ultimately results in more funding than if the donor had simply provided a gift directly.

Despite these benefits, DAFs have harsh critics. A common claim is that DAFs are "warehousing wealth." It's a cynical belief that people use DAFs to receive the tax benefits of giving to charity without having to actually give money to charity. Under that scenario, money either sits in the DAF forever or is doled out as slowly and as little as possible. DAF supporters often point to payout rates as evidence that DAFs are not warehousing wealth, but critics remain unconvinced.

Payout rates are calculated by comparing the amount of grants distributed in a year by the total balance. There are at least six different ways to determine the total balance, which means there are at least six different ways to calculate the payout rate that yield six very different results. Regardless of the result, critics have not directly stated what would constitute an acceptable payout rate.

Philanthropy Roundtable has suggested in the past that flow rates could be a good alternative to payout rates in proving DAFs are not warehousing wealth. The flow rate is calculated by dividing the amount of grants by the amount of contributions in a year. It is simpler than the payout rate, because there are no alternate methods of calculating it. Also, it keeps the focus on contributions and grants, which are the only two factors that matter when addressing the "warehousing wealth" claim. This removes the spurious variables of investment growth/losses and administrative costs.

This study begins with a simulation of how the flow rate and the six payout rate methods compare to one another in a controlled five-year scenario. That provides a baseline perspective for the actual data analysis. The remainder of the study consists of both a general analysis of aggregate-level data and a longitudinal analysis of sponsor-level data from 2019 through 2023. The data comes directly from 3 million records from the IRS Form 990 online repository.

This approach provides evidence that flow rates are superior to payout rates in determining the value proposition of DAFs. More importantly, it presents hard data that DAFs provide steady, sustainable, and substantial funding to charity. They are not warehousing wealth.

PROBLEM STATEMENT

What is the best indicator to determine whether DAFs are "warehousing wealth," and what is the best way to calculate it?

PURPOSE OF STUDY

The purpose of this study is to directly address the claims that DAFs don't benefit charity because they supposedly withhold more funding from charity than they would otherwise receive from direct individual donations.

ASSUMPTIONS

This study assumes the data required to answer its research questions can be found in publicly available sources, specifically the IRS' "Form 990 Series Download" page. The study identifies errors in Form 990 filings but does not consider their underlying causes.

DEFINITIONS

Donor-Advised Fund (DAF)
A special giving vehicle held by a nonprofit organization that provides funding to operating charities. Individuals who set up DAFs cannot withdraw the funds for any reason. Only the sponsoring organization that manages the DAF may withdraw funds, but only to invest them, cover administrative costs, or distribute them to a tax-exempt organization as a grant.

Form 990
The form that all nonprofits must submit to the IRS each year. It contains detailed information about its finances and operations.

Schedule D
A form attached to the form 990 that must be completed if the nonprofit is also a DAF sponsor. All DAF sponsors are nonprofits.

Account-Level Data
Data about individual DAF accounts that include individual transactions.

Sponsor-Level Data
The combined totals of all individual DAF accounts for each sponsor by year.

Aggregate-Level Data
The combined totals of all sponsor-level data by year.

Flow Rate
The flow rate compares the amount of grants distributed from DAF accounts with the amount of contributions they receive each year.

Payout Rate
The payout rate is the percentage of funds from DAF accounts that are distributed each year from the total amount available.

LIMITATIONS

This study did not have access to account-level data about DAFs. That would include data about the individual DAF accounts a sponsoring organization manages. When sponsoring organizations complete Schedule D for their Form 990, they do not report the accounts individually. Instead they aggregate them. Because this study relies on the Form 990 filings for its datasets, it is only able to conduct sponsor-level and aggregate-level analyses.

Another shortcoming with the Form 990 filings is they are often incomplete and contain many errors.[1] That impacted which sponsoring organizations were included in this study. A key requirement for the longitudinal analysis was that each organization submitted a Form 990 with a Schedule D every year from 2019 to 2023, and that all those forms were included in the IRS' bulk download repository.

There were some large sponsoring organizations that did not meet this requirement and were not included in this study. The IRS appears to be responsible for some of these errors. Goldman Sachs Donor-Advised Fund is one of the top DAF sponsors in the country, but the IRS does not have a Form 990 for 2020 for it anywhere on its website.[2] The form does appear to be available through the Propublica Nonprofit Explorer, which is not a government organization.[3]

Regardless, this study maintained its methodology and used only 990s from the IRS files. Vanguard Charitable Endowment Program is another top DAF sponsoring organization that is missing from the longitudinal study. It filed a 990 for 2019, which is available through the IRS' 990 lookup tool. However, it was not included in the IRS' bulk download repository. Therefore, it also was not included in the five-year longitudinal study.

Finally, to calculate the five-year average payout rate method, this study modified the formula to include "this year's" end-of-year amounts rather than starting with "last year's." This was done because 2018's reports were outside the scope of this study.

METHODOLOGY OVERVIEW

Research Questions

1. What are the current DAF payout and flow rates?
2. How do those rates change when you examine individual sponsors instead of just annual totals?
3. How much does investment growth impact DAF value?
4. Can payout or flow rates support the "wealth warehouse" claim?
5. Do payout or flow rates better reflect the level of support DAFs provide to operating charities?

1 Chuck Collins et al., Warehousing Wealth (Institute for Policy Studies, 2018), 37 https://ips-dc.org/wp-content/uploads/2018/07/Warehousing-Wealth-IPS-Report-1.pdf.

2 There are two Goldman Sachs entities that sponsor DAFs. The larger one is the Goldman Sachs Donor-Advised Philanthropy Fund, and its EIN is 311774905. The smaller is the Goldman Sachs Charitable Gift Fund, and its EIN is 113813663. The larger one did not file a 990 in 2020, but the smaller one did.

3 Gs Donor Advised Philanthropy Fund For Wealth Management Inc - Full Filing - Nonprofit Explorer - ProPublica

Study Construction

This study consists of two parts: a simulation and an analysis.

First, two simulations will be conducted to provide a baseline perspective of how the results from the various payout and flow rate methods compare to one another. In this hypothetical scenario, a DAF account begins with a balance of $100. For each of five years, $100 is distributed and $100 is contributed. In one scenario, there will be 5% investment growth annually and in the other there will be no investment growth. In the final year, the entire balance is distributed.

Next, the analysis portion of this study will be conducted using bulk 990 series data from the IRS for tax years 2019 through 2023. Those records will be sorted and filtered to identify organizations that sponsor DAFs. Two working sets of data will be constructed. The first set will collect all DAF data by year, referred to as "aggregate-level" data.

The second set will only collect data from sponsors whose data is consistently available every year from 2019 through 2023 in the IRS bulk repository. That set will be referred to as "sponsor-level" data. Payout and flow rates will be calculated for both datasets.

At the aggregate-level, the payout and flow rates will be calculated for 2019 through 2023. All six payout rate methods will be included.

At the sponsor-level, the payout rates will be calculated for each sponsoring organization. Then the average and median of those rates will be calculated for entire year. The flow rate will be calculated for each organization for each year, and then as an average and as a median for entire year. The five organizations within the longitudinal study that have the highest end-of-year DAF balance in the 2023 records will be analyzed separately as featured examples.

By examining IRS bulk 990s series of data from these various perspectives, this study will be able to provide the best answers to the stated research questions.



BACKGROUND

COMMON APPROACHES TO DAF RESEARCH

DAF researchers face significant challenges selecting quality data to conduct their studies. The two main sources of DAF datasets are the IRS and the sponsoring organizations themselves. All DAF sponsoring organizations are also 501(c)(3) nonprofits and are required to file an annual Form 990 with the IRS. The IRS does not identify which nonprofits are DAF sponsors upfront. That can only be determined by inspecting each Form 990 individually to confirm whether it includes a Schedule D and whether it reports DAF data in that Schedule D. That's a daunting task given that hundreds of thousands of 990s are submitted to the IRS every year.

The DAF data contained in the Schedule D are the combined totals for all the DAF accounts that sponsoring organization manages. Aggregate-level data can be analyzed by combining all the Schedule D reports the IRS receives for each year. Account-level data can only be provided by the sponsoring organizations themselves, which requires the researcher to contact each organization individually. The decision whether to use aggregate-level, sponsor-level, or account-level data has a major impact on the payout rate calculation.[4]

In 2024, DAF Research Collaborative used account-level data that was provided voluntarily by sponsoring organizations for 57,539 individual accounts.[5] It used that data to produce a comprehensive report of DAF activity throughout the country covering the years 2014 to 2022. Not every organization provided all its account data the same way. Some only provided samples and others excluded specific accounts. As a quality control measure, the researchers capped payout rates at 100%.

In 2025, DAF Research Collaborative used sponsor-level data for 1,512 sponsoring organizations from the IRS obtained through the GivingTuesday Data Commons.[6] Its quality control measures included eliminating organizations that did not file a Schedule D in both 2023 and 2024 and those with less than $1 as an end-of-year amount for its DAF accounts.

The National Philanthropic Trust used sponsor-level data for 1,140 sponsoring organizations from the IRS that it obtained from Candid/GuideStar and Pro Publica for its 2024 report. It filtered 990 data to only include those that filed Schedule D forms and reported at least $1 in end-of-year assets.[7]

In the past, Philanthropy Roundtable has used sponsor-level data from Form 990s for a sample of sponsoring organizations. One study examined forty large community foundations and the ten biggest DAF sponsors to determine typical payout rates and assess inactivity policies. These fifty organizations represent the bulk of grantmaking and DAF assets in the US.[8] Another study examined the 990 filings for twenty-two community foundations in California, which collectively oversaw 6,600 DAF accounts worth $16.7 billion.[9]

The Institute for Policy Studies (IPS) produced a report in 2018 that promoted the claim that DAFs are warehousing wealth. It relied on data from literature reviews for its report.[10]

IPS also produced a report in 2025 as a highly critical alternative to the National Philanthropic Trust's annual report.[11] This report used Form 990 data from the IRS for the years 2020 through 2023 and implemented several quality control measures

4 The DAF Research Collaborative, The Annual DAF Report 2025: Updated Analysis Technical Appendix (April 2026), 9. Annual DAF Report 2025 Updated Analysis Technical Appendix

5 Heist, H. Daniel et al., The National Study on Donor-Advised Funds (DAF Research Collaborative, 2024), 11-14. https://johnsoncenter.org/wp-content/uploads/2024/02/DAFRC_Report.pdf

6 The DAF Research Collaborative, The Annual DAF Report 2025: Updated Analysis Technical Appendix (April 2026), 2-3.

7 National Philanthropic Trust, 2024 Donor-Advised Fund Report (2024), 33. https://www.nptrust.org/wp-content/uploads/2024/11/2024-DAF-Report-NPT.pdf

8 Salmon, Jack, Donor-Advised Funds: Payout Trends, Inactivity Policies, and Accessibility (Philanthropy Roundtable, 2025), https://www.philanthropyroundtable.org/resource/donor-advised-funds-payout-trends-inactivity-policies-and-accessibility/.

9 Salmon, Jack, Community Foundation Use of DAFS in California: Payouts, Flow Rates, and Inactivity Policies (Philanthropy Roundtable, 2023), https://www.philanthropyroundtable.org/resource/community-foundation-use-of-dafs-in-california/

10 Collins, Chuck et al., Warehousing Wealth (Institute for Policy Studies, 2018), https://ips-dc.org/wp-content/uploads/2018/07/Warehousing-Wealth-IPS-Report-1.pdf.

11 Collins, Chuck et al., The Independent Report on DAFs, 5. https://ips-dc.org/wp-content/uploads/2025/04/Independent-Report-on-DAFs-FINAL-04-03-2025.pdf

to catch and correct errors. The report says payout rates are important to the wealth warehousing debate, because "A sponsor can use a high payout rate as evidence that the donations coming into their funds are being paid out at a relatively fast clip, and that they are therefore fulfilling their charitable purpose."[12]

The report advocates for the payout rate method preferred by the IRS (referred to as Method number 3 in this report). Also, the report said because most researchers only have access to sponsor-level data, accounts with high payout rates could be covering for accounts that have very low or no payout rates.

NOTES ON THE FORM 990

It is important to understand some of the nuances of how data is reported on the IRS Form 990 when analyzing DAFs. DAF data is recorded on the Schedule D portion of the 990 and includes four items: number of DAF accounts, contributions, grants, and end-of-year value.

The amount reported as grants does not include administrative fees. Not all sponsoring organizations charge administrative fees, but many do, which applies downward pressure on payout rates.

The end-of-year amount includes investment income, but determining the exact amount is tricky. Investment income is reported on the front page of the Form 990, but it is not limited to investment income from DAFs. Most DAF sponsoring organizations engage in financial activities other than just DAFs, which means only a portion of the investment income is DAF-related.

PAYOUT RATES AND FLOW RATES

There are at least six different methods to calculate payout rates. All of them use the current year's grant distributions as the numerator. The denominator can be: 1) last year's end of year amount, 2) this year's end of year amount, 3) this year's end of year amount plus this year's grant distributions, 4) this year's end of year amount plus this year's grant distributions minus the contributions, 5) an average of the last three years' end of year amount, 6) an average of the last five years' end of year amount.[13]

Because there are so many methods, the payout rates vary wildly. In 2023, NP Trust calculated a 30.5% payout rate using method number 6, a 26.2% rate using method number 5, a 23.9% rate using method number 1, and a 17.9% rate using method number 3.[14]

The DAF Research Collaborative calculated the payout rate for 2023 using method number 1 at 23.8% and around 21% using method number 3.[15]

IPS calculated the total payout rate for 2023 using method number 3 at 9.7%.[16]

WHAT IS AN ACCEPTABLE PAYOUT RATE?

DAF critics like the Institute for Policy Studies have mostly been mute about what would constitute an acceptable minimal payout rate for DAFs. IPS said the Senate Finance Committee proposed a 5% rate around 2018, but it did not weigh in on whether that rate would be acceptable.[17] Sen. Angus King (I-Maine) introduced the Accelerating Charitable Efforts Act (ACE) in 2021 that would have imposed a 5% minimum payout rate on DAFs.[18] IPS's report also documented proposals to impose maximum lifespans of five, ten, or fifteen years on DAFs.

The National Philanthropic Trust says different types of DAF sponsoring organizations have similar payout rates each year. It says if community foundations, single-issue charities and national sponsors all have the same rates that refutes "warehousing wealth" claims, regardless of what the rates are.[19]

12 Collins, Chuck et al., The Independent Report on DAFs, 14.

13 National Philanthropic Trust, DAF Spotlight: DAF Grant Payout Rates (2021), 10, https://www.nptrust.org/wp-content/uploads/2021/08/2021-Donor-Advised-Fund-Spotlight.pdf and Collins, Chuck et al., Warehousing Wealth (Institute for Policy Studies, 2018)

14 National Philanthropic Trust, 2024 Donor-Advised Fund Report (2024), 35.

15 The DAF Research Collaborative, The Annual DAF Report 2025: Updated Analysis Memo (April 2026). https://static1.squarespace.com/static/6011def87418a462fcb03978/t/69e91dfad34ffd5d1cb6aea5/1776885242265/Annual+DAF+Report+2025+Updated+Analysis.pdf

16 Collins, Chuck et al., The Independent Report on DAFs, 15.

17 Collins, Chuck et al., Warehousing Wealth (Institute for Policy Studies, 2018), 34.

18 King, Angus , Accelerating Charitable Efforts Act (S. 1981). https://www.congress.gov/bill/117th-congress/senate-bill/1981/text

19 National Philanthropic Trust, DAF Spotlight: DAF Grant Payout Rates (2021), 9, https://www.nptrust.org/reports/daf-spotlight-daf-grant-payout-rates/

WHY FLOW RATES MATTER

Both critics and supporters of DAFs fixate on payout rates under the belief they provide the best indication of whether DAF contributions are being distributed to operating charities in a timely manner.

Philanthropy Roundtable's previous DAF research analyzed both payout and flow rates. It said flow rates only compare contributions-in to grants-out. That eliminates all the spurious variables that impact payout rates. It also focuses exclusively on the concern presented by those who believe the "warehousing wealth" narrative – that contributions are not distributed to charity in a timely matter. What constitutes a "timely" manner is subjective. No firm target has ever been established. However, it can be presumed from maximum lifespan proposals that DAF critics want contributions to be distributed to charities with five, ten, or fifteen years.

WHY THIS STUDY IS UNIQUE

This study took a unique approach to conducting DAF research in order to produce the best answers for its research questions.

First, this study relies on the IRS bulk form 990s for its core datasets. All records the IRS released to the public are included. Other studies used form 990s second hand from organizations like Pro Publica or from records voluntarily provided directly by sponsoring organizations.

Second, this study includes a longitudinal study as a key quality control measure. This ensures that only sponsoring organizations that consistently file Schedule D are considered. This eliminates organizations that might accidentally report DAF activity one year that are not actually sponsoring organizations. An audit component also acts as a quality control measure, which considers year-to-year consistency in each organization's reports.

Third, this study focuses on the multiple methods to calculate payout rates, calculating and critically analyzing them. The controlled simulation helps establish a clear baseline for evaluating the results of each method.



METHODOLOGY

The simulation was conducted in Microsoft Excel. It covered a five-year period. The controlled scenario included the following parameters: the DAF begins with a $100 balance, there are $100 in contributions each year, and there are $100 in distributions each year. A second scenario included 5% investment growth for each year, which was applied to the account after contributions and distributions were made. The flow rate and six payout rates were calculated for each year in both scenarios.

Payout rates were calculated using six established methods:

- **Method 1:** Grants/Previous EOY Amount
- **Method 2:** Grants/EOY Amount
- **Method 3:** Grants/Grants plus EOY Amount
- **Method 4:** Grants/Grants plus EOY Amount - contributions
- **Method 5:** Grants/EOY Amount Three-Year Average
- **Method 6**: Grants/EOY Amount Five-Year Average

The flow rate was calculated using this formula:

- **Flow rate:** Grants/Contributions

Next, the researcher downloaded 3 million xml files containing 990 series records for 2019 through 2023 from the IRS' bulk online repository. The files were contained in forty-two separate zip folders. Tags and labels used in the xml files to describe Schedule D and DAF data were identified from the IRS data dictionaries. Windows PowerShell was used to extract that data and export it into a csv file using code generated by Microsoft Copilot. AI did not directly filter or process the files. Quality control for the AI-generated code was conducted during the extraction process through random spot checks. Only DAF sponsors with reported end-of-year DAF account balances were included.

After the complete csv file containing all DAF sponsors was generated, the data was filtered to include only sponsoring organizations that filed a Schedule D for all five years. This was also done using Windows PowerShell with code generated by Microsoft Copilot. The results were exported in a separate csv file.

Afterward, an audit was conducted for the sponsor-level data. This involved taking the EOY amount from 2019, then subtracting the grants and adding the contributions for 2020, 2021, 2022, and 2023 for each organization. The result was compared to the reported 2023 EOY amount. This revealed how much investments and administrative costs impacted the EOY amount, as well as indications of potential reporting errors.

All payout and flow rates were calculated and analyzed in Microsoft Excel. For aggregate-level data, those methods were applied to the grand totals for each year. For the sponsor-level data, those methods were applied to each sponsoring organization, and then an average and a median rate were calculated for each year.

RESULTS

Figure 1. Simulation (No Investment Growth)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Average
Beginning Amount	$100	$100	$100	$100	$100	$100	
Contributions	$100	$100	$100	$100	$100	$500	$100
Distributions	$100	$100	$100	$100	$200	$600	$120
Investment Growth	$0	$0	$0	$0	$0	$0	$0
End of Year Amount	$100	$100	$100	$100	$0		
Method 1		100%	100%	100%	200%		125%
Method 2	100%	100%	100%	100%			100%
Method 3	50%	50%	50%	50%	100%		60%
Method 4	100%	100%	100%	100%	200%		120%
Method 5				100%	200%		150%
Method 6					250%		250%
Flow Rate	100%	100%	100%	100%	200%		120%

Figure 2. Simulation (With Investment Growth)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Average
Beginning Amount	$100	$105	$105	$105	$105	$100	
Contributions	$100	$100	$100	$100	$100	$500	$100
Distributions	$100	$105	$105	$105	$205	$620	$124
Investment Growth	$5	$5	$5	$5	$0	$20	$4
End of Year Amount	$105	$105	$105	$105	$0		
Method 1		100%	100%	100%	195%		124%
Method 2	95%	100%	100%	100%			99%
Method 3	49%	50%	50%	50%	100%		60%
Method 4	95%	95%	95%	95%	195%		115%
Method 5				100%	195%		148%
Method 6					244%		244%
Flow Rate	100%	105%	105%	105%	205%		124%

Figure 3. Aggregate-Level Datasets

Tax Year	2019	2020	2021	2022	2023
Total 990s	589,904	433,529	705,155	633,072	667,140
990s w/ DAF data	639	2,054	1,236	2,063	2,030

Figure 4. Aggregate-Level Raw Data

Tax Year	2019	2020	2021	2022	2023
Contributions	$ 27,786,086,144	$ 64,934,986,860	$ 83,633,165,626	$ 67,676,491,046	$ 82,669,656,891
Grants	$ 18,941,967,921	$ 44,692,694,674	$ 47,929,462,688	$ 56,932,944,536	$ 63,216,003,753
EOY Amount	$ 85,568,043,225	$ 209,360,342,876	$ 212,493,122,326	$ 264,345,916,901	$ 309,797,227,640

Figure 5. Aggregate-Level Analysis

Tax Year	2019	2020	2021	2022	2023
Payout Rate (1)		52%	23%	27%	24%
Payout Rate (2)	22%	21%	23%	22%	20%
Payout Rate (3)	18%	18%	18%	18%	17%
Payout Rate (4)	25%	24%	27%	22%	22%
Payout Rate (5)				34%	28%
Payout Rate (6)					29%
Flow Rate	68%	69%	57%	84%	76%

Figure 6. Aggregate-Level Payout Rates

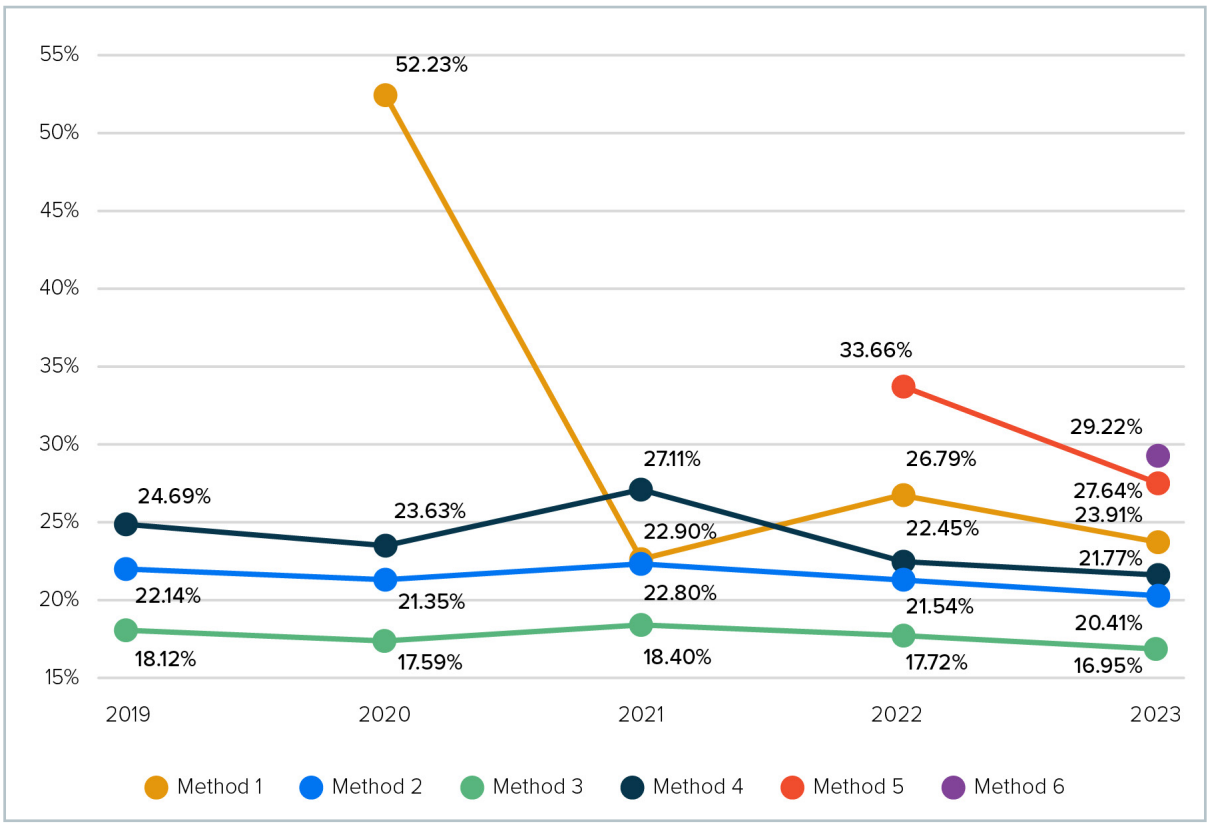
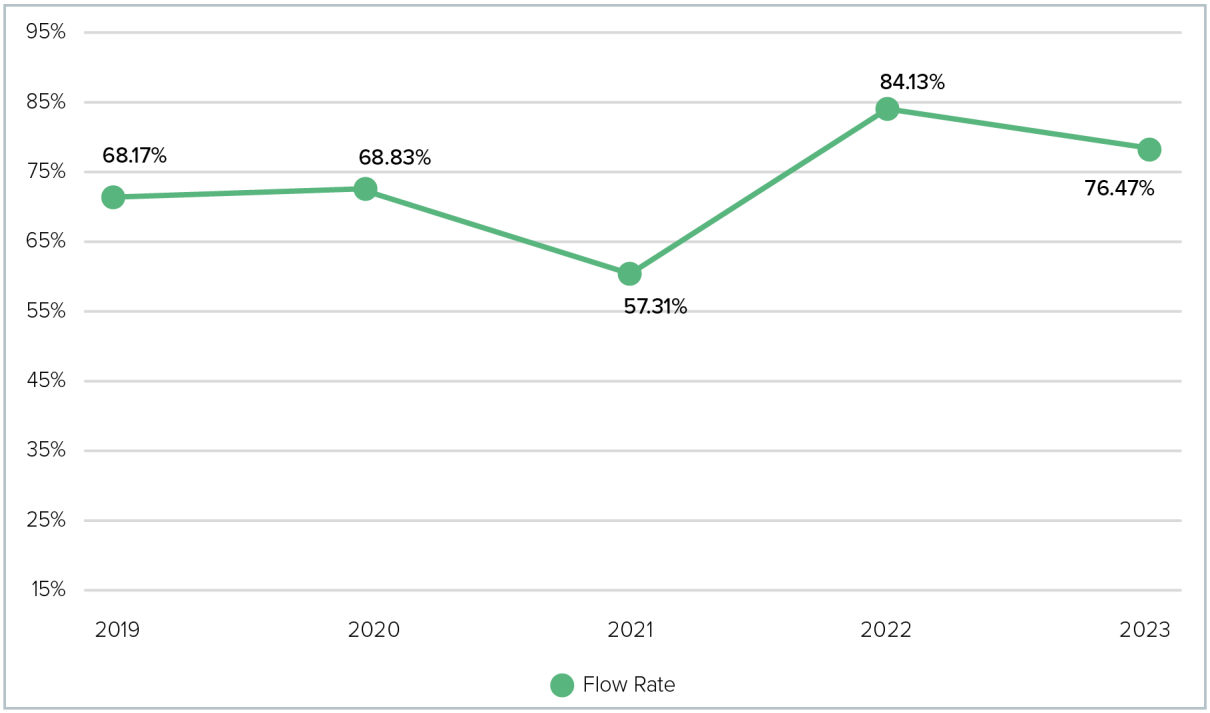


Figure 7. Aggregate-Level Flow Rates



SPONSOR-LEVEL RAW DATA

There were 384 sponsoring organizations that consistently attached a Schedule D with DAF data to their form 990 from 2019 through 2023 that were included in the IRS' bulk 990 repository.

Figure 8. Sponsor-Level Analysis (Mean)

Tax Year	2019	2020	2021	2022	2023
Payout Rate (1)		192%	143%	135%	889%
Payout Rate (2)	270%	120%	140%	788%	897%
Payout Rate (3)	15%	12%	27%	12%	13%
Payout Rate (4)	127%	145%	146%	132%	887%
Payout Rate (5)				143%	198%
Payout Rate (6)					218%
Flow Rate	369%	188%	444%	794%	272%

Figure 9. Sponsor-Level Analysis (Median)

Tax Year	2019	2020	2021	2022	2023
Payout Rate (1)		9%	7%	8%	10%
Payout Rate (2)	9%	7%	8%	7%	8%
Payout Rate (3)	8%	7%	7%	7%	8%
Payout Rate (4)	9%	8%	8%	8%	9%
Payout Rate (5)				9%	10%
Payout Rate (6)					10%
Flow Rate	89%	82%	79%	96%	100%

Figure 10. Sponsor-Level Payout and Flow Rates (Mean)

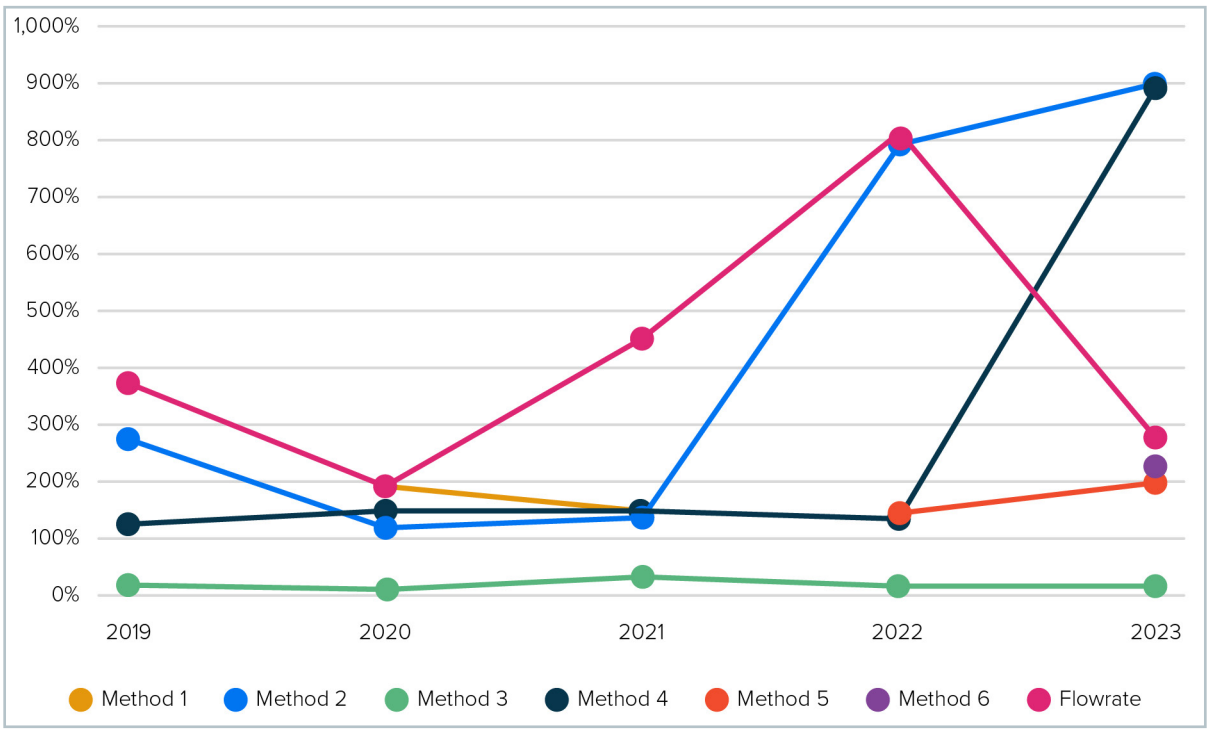


Figure 11. Sponsor-Level Payout Rates (Median)

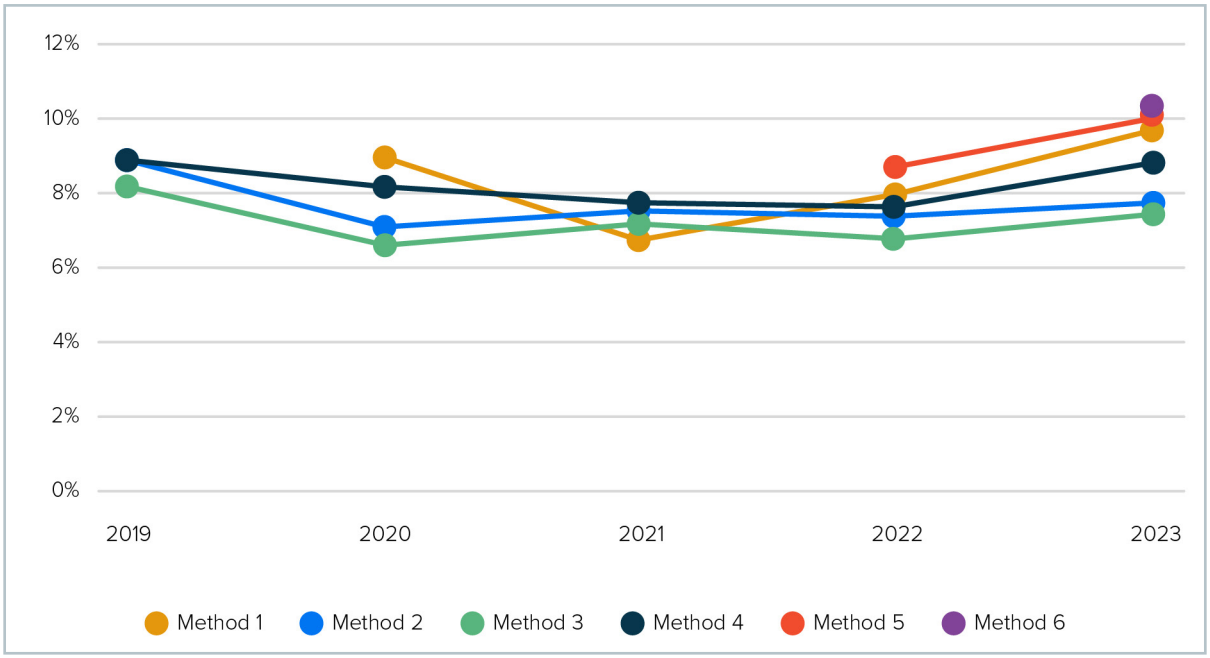


Figure 12. Sponsor-Level Flow Rates (Median)

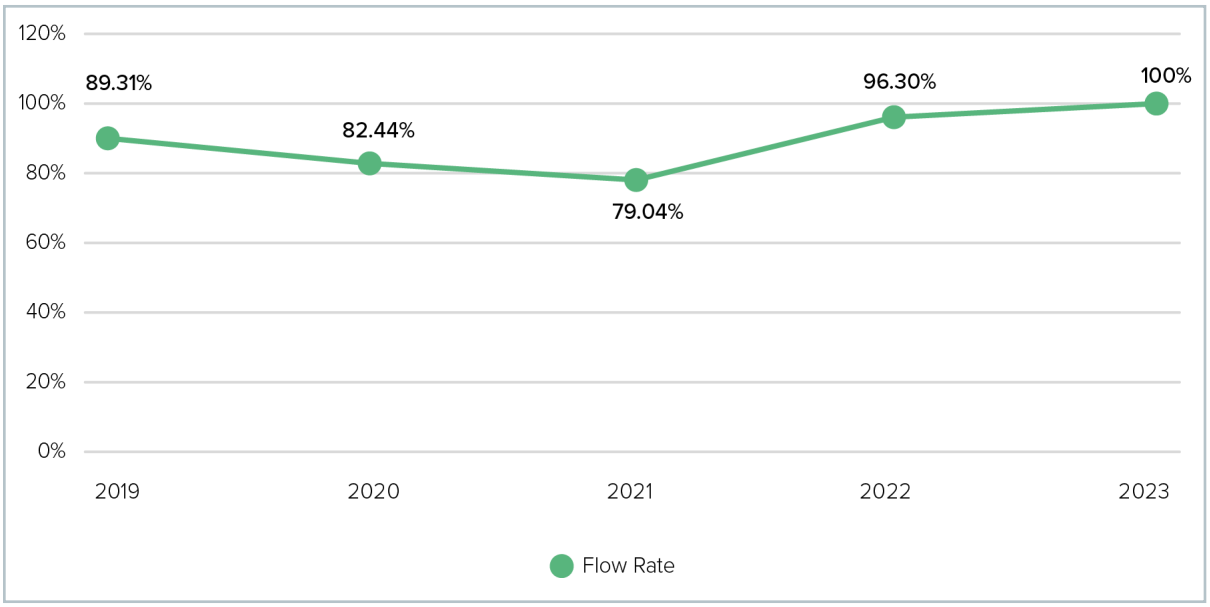


Figure 13. Featured Sponsoring Organizations Audit (Tax Year 2023) (in Billions)

Name	Previous EOY	Contributions	Grants	EOY Actual	EOY Audited	$ Difference	% Difference
Fidelity	$ 55.6	$ 15.9	$ 12.7	$ 66.2	$ 58.9	$ 7.3	12%
National Philanthropic	$ 22.8	$ 14.5	$ 5.6	$ 42.1	$ 31.8	$ 10.3	32%
Schwab Charitable	$ 31.5	$ 9.3	$ 6.6	$ 40.9	$ 34.2	$ 6.7	20%
Chicago Community	$ 3.5	$ 1.7	$ 1.4	$ 4.6	$ 3.8	$ 0.8	22%
Jewish Communal	$ 2.7	$ 0.9	$ 1.0	$ 2.9	$ 2.6	$ 0.3	12%
TOTALs	$116.2	$42.3	$27.3	$156.8	$131.3	$25.5	19%

Figure 14. Featured Sponsoring Organizations Flow Rates

Name	2019	2020	2021	2022	2023	Average	Median
Fidelity	68%	66%	75%	82%	80%	74%	75%
National Philanthropic	46%	74%	42%	48%	38%	50%	46%
Schwab Charitable	70%	52%	48%	69%	71%	62%	69%
Chicago Community	78%	73%	88%	111%	81%	86%	81%
Jewish Communal	102%	90%	69%	97%	117%	95%	97%

Figure 15. Featured Sponsoring Organizations Payout Rates

Name	Method #1	Method #2	Method #3	Method #4	Method #5	Method #6
Fidelity	23%	19%	16%	20%	19%	21%
National Philanthropic	24%	13%	12%	17%	28%	25%
Schwab Charitable	21%	16%	14%	17%	24%	23%
Chicago Community	40%	30%	23%	33%	32%	35%
Jewish Communal	38%	36%	26%	34%	41%	41%

Figure 16. Featured Sponsoring Organizations Payout Rates (Investment Growth / No growth scenario comparison)

Name	Method #1	Method #2	Method #3	Method #4
Fidelity	23% / 23%	19% / 22%	16% / 18%	20% / 23%
National Philanthropic	24% / 25%	13% / 18%	12% / 15%	17% / 24%
Schwab Charitable	21% / 21%	16% / 19%	14% / 16%	17% / 21%
Chicago Community	40% / 40%	30% / 37%	23% / 27%	33% / 40%
Jewish Communal	*38% / 37%*	36% / 38%	26% / 28%	34% / 37%

DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

DISCUSSION

Comparing Payout and Flow Rate Methods

Conducting the simulations (figures 1 and 2) helped develop an understanding of which flow or payout rate method most accurately depicts DAF charitable output. The averages were particularly insightful. In both scenarios, the DAF distributes 100% of its funds within five years. Therefore, the closer the averages are to 100%, the more accurate the method. Method number 2 performed the best under that standard, and resulted in average payout rates of 99% and 100%.

Methods number 1 and number 4, as well as the flow rate method, should not be discounted. Their results ranged between 115% and 125%. That could be due to the beginning balance of $100 and, in scenario 2, there was also investment income. That certainly explains the flow rate of 120% and 124%, given that it only considers contributions as a denominator, but all distributions regardless of source are part of the numerator.

Methods number 3 and number 6 produced the most extreme averages. Method number 3 resulted in a rate of 60% in both scenarios, seriously downplaying the DAFs true output. Method number 6 resulted in rates of 244% and 250%, greatly overstating the output.

Method number 6 is also very limited in its applicability, because it requires so much data from at least five (preferably six) years.[20] It could only be calculated for the final year of the simulations. Method number 5 is similarly limited because it requires three or four years of data. Method number 1 is limited because it requires the previous year's ending balance, which is not available in the first year of a study. Method number 2 is limited because it cannot be calculated when the ending balance is zero, which will be the case in the year a DAF closes out.

Data Errors

Industry experts often discuss the high error rates found in the IRS Form 990s. These occur both during the preparation and management of the forms. The IRS bulk downloads repository does not include every filing, which is evident in figure 3.[21] In tax year 2019, there were only 639 sponsoring organizations. That jumped to 2,054 in 2020, and down to 1,236 in 2021. That variation complicated aggregate-level analyses greatly.

For example, method number 1 used the previous year's ending balance as the denominator in its rate equation. The ending balance in 2019 was artificially low because there were only 639 DAF filings in the bulk repository, which had a major impact in the calculation (figure 4). For 2020, method number 1 calculated a 52% payout rate, the highest payout rate that year by far. It dropped down to 23% the very next year. 2020 was an obvious outlier (figure 6). That demonstrated the challenges in using aggregate data from the IRS to make year-to-year observations about DAF performance.

The variations between the payout rates and the flow rates at the aggregate-level also call into question the reliability of the IRS' bulk data. In the simulations, the flow rates were very similar to the payout rates, but in the aggregate-level analysis, the flow rates were several times higher than the payout rates every year (figure 5). The flow rate method and payout rate methods number 2, number 3, and number 4 only use the current year's data. That should eliminate any year-to-year variations that impact other methods. It's very possible the difference between payout and flow rates can be explained, in part, by investment growth.

The sponsor-level longitudinal analysis highlighted variations in IRS Form 990 reporting that can influence payout and flow rate calculations. Some unusually high averages, approaching 900%, reflected the impact of outliers on the results (figures 8 and 10). Using median rates reduced the influence of these outliers and produced more consistent year-to-year results (figures 9 and 11).

A closer examination of individual sponsor records identified reporting inconsistencies, including

20 See the note in the limitations section about modifications to method number 6.

21 Also see the note in the limitations section regarding Vanguard.

incomplete entries, negative grant distributions and differences in how some universities report grants from their DAFs. For example, some universities do not classify grants from their DAFs to the university itself as DAF grants, even though a thorough examination of the full Form 990 can confirm their source. These findings demonstrate the importance of careful data review and appropriate statistical measures when evaluating DAF activity. They also reinforce the value of examining multiple methods and datasets to develop a more complete understanding of charitable distributions.

Investment Growth

The simulation with investment growth (figure 2) demonstrated that investment growth drives payout rates down, while pushing the flow rate up. That's because investments increase the end-of-year amount, which is included in the denominator for all payout methods and is excluded from the denominator for the flow rate method. Additionally, that investment growth is ultimately distributed as grants, which is reflected in the numerator for all payout and flow rate methods. This is a critical revelation when considering the effectiveness of payout rates in evaluating DAF output performance. DAF dollars are invested, and the more they grow through successful investments, the lower their payout rates become regardless of method.

Quality Control Through Sampling

Given the poor quality of bulk records, the featured examples analyses were especially important for this study. It enabled the researcher to carefully vet the organizations and analyze their DAF records, which helped ensure accurate observations. It was encouraging that the organizations that had the highest balances did not contain any indications of errors or anomalies. The audit revealed all five were notably successful at investing their funds (figure 13).

The audited total was calculated by taking 2022's ending amount and adding 2023's contributions and subtracting its grants. That audited total was less than the actual end-of-year balance for all five organizations, $25.5 billion less in total. That's how much less would be in those accounts if the sponsoring organizations did not invest those funds. Those are additional dollars that would be distributed to operating charities.

Figure 16 shows how that investment growth drives down payout rates, calling into question the validity of that metric. The Chicago Community Trust saw the most dramatic dropoff. Its payout rate dropped seven points under methods number 2 and number 4 due to its investment success.

If the goal is to simply ensure all a donor's contributions are flowing to charity in a timely manner, which the warehousing wealth theorists insist, then the flow rates for these five organizations should alleviate any concerns (figure 14). The average flow rate for all five organizations is above 50%, meaning a donor's contributions are distributed within two years of being deposited, often much quicker. And yet, by using DAF as the charitable giving vehicle, significant investment growth occurs enabling flow rates above 100% in some years.

CONCLUSIONS

This study was built around five research questions that sought to address the problem: what is the best indicator to determine whether DAFs are "warehousing wealth," and what is the best way to calculate it.

What are the current DAF payout and flow rates?

This study found DAF payout rates consistently exceed 5%, regardless of the calculation method used. Aggregate payout rates generally ranged from 17% to more than 30%, while aggregate flow rates ranged from 57% to 84% (figure 5). The sponsor-level analysis produced median payout rates of 7% to 10% and median flow rates of 79% to 100% (figures 8 and 9). The five featured sponsoring organizations, whose records underwent additional quality control, also demonstrated substantial charitable distributions (figures 14, 15 and 16).

While differences in reporting practices, data quality, quality control, and calculation methods produce variations in the results, the findings consistently demonstrate significant charitable activity through DAFs. The study also identified limitations in the IRS Form 990 data, particularly in the sponsor-level analysis, where reporting inconsistencies produced unusually high averages. Median calculations provided more stable results, while the detailed examination of five major sponsors allowed for greater confidence in their reported rates. These findings underscore the value of strong quality control when comparing payout and flow rates across organizations and studies. Despite differences in methodology, the evidence consistently demonstrates that DAFs distribute substantial resources to operating charities.

How do those rates change when you examine individual sponsors instead of just annual totals?

The longitudinal study sought to implement quality control measures at scale by only including sponsoring organizations that consistently and reliably submitted DAF reports to the IRS every year for five years. Those records still contained errors, enough to prevent any accurate observations.

How much does investment growth impact DAF value?

Through both the simulations and the featured examples analysis, it was evident investment growth has a significant impact on payout rates. That limits the usefulness of payout rates in assessing DAF output performance. The more investment growth a DAF experiences, the lower its payout rate will be regardless of method used.

Can payout or flow rates support the "wealth warehouse" claim?

Critics have proposed a minimum payout rate of 5% to prevent DAFs from warehousing wealth. This study presented 141 payout and flow rates calculated from aggregate-level and sponsor-level data using six different payout methods and the one flow rate method. All 141 rates were well above 5%.

Do payout or flow rates better reflect the level of support DAFs provide to charity?

The claim that DAFs warehouse wealth focuses on individuals' donations into DAFs and whether those donations are being distributed to charities in a timely manner. Because of that, the only two factors that really matter are contributions and distributions. Those are the only two factors flow rates consider. Therefore, the flow rate is the best metric to assess whether DAFs are warehousing wealth.

With aggregate flow rates ranging from 57% to 84%, and the featured organizations' flow rate averages ranging from 50% to 95%, there is strong evidence contrary to the claim that DAFs are warehousing wealth. At those rates, donors' contributions to their DAFs are distributed within just a few years, while generating impressive investment income in the interim, which also will ultimately be distributed to operating charities.

RECOMMENDATIONS

1. Recognize that donor-advised funds already distribute substantially more than proposed mandatory payout requirements.

This study found DAF distributions consistently exceeded 5%, regardless of the calculation method used. Aggregate payout rates generally ranged from 17% to more than 30%, with most methods producing rates around 20% or higher. Even the lowest reported payout rate of 7% exceeded the proposed 5% minimum, while aggregate payout rates were consistently more than three times that threshold. These findings demonstrate that DAFs are already providing substantial charitable support without government-imposed payout requirements.

2. Prioritize flow rates over payout rates when evaluating charitable giving through DAFs.

Flow rates provide a more meaningful measure of whether charitable contributions are reaching operating charities. Unlike payout rates, which are influenced by investment growth and the method used to calculate account balances, flow rates directly compare contributions received with grants distributed. This study found annual aggregate flow rates of 57% to 84%, while the median sponsoring organization recorded flow rates of 79% to 100%. These findings challenge claims that DAFs are warehousing charitable dollars and demonstrate the substantial movement of funds to charities.

3. Reject mandatory DAF payout requirements that are unsupported by the evidence.

Proposals to impose mandatory payout rates are premised on concerns that DAFs are withholding charitable resources. This study provides substantial evidence to the contrary. DAFs already distribute funds at rates exceeding proposed minimums, while investment growth increases the resources ultimately available for charitable purposes. Imposing additional payout mandates would restrict donor flexibility without demonstrating that such requirements are necessary to increase charitable giving. Policymakers should preserve the freedom of donors and sponsoring organizations to determine how best to support charitable missions rather than impose unnecessary federal mandates.

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ABOUT PHILANTHROPY ROUNDTABLE

Philanthropy Roundtable is a nonprofit organization dedicated to building and sustaining a vibrant American philanthropic movement that strengthens our free society. To achieve this vision, the Roundtable pursues a mission to foster excellence in philanthropy, protect philanthropic freedom and help donors to advance liberty, opportunity and personal responsibility.

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Bill Osmulski joined Philanthropy Roundtable as director of policy research in December 2025. He brings a strong background in investigative reporting, strategic planning and policy research. Prior to Philanthropy Roundtable, Osmulski spent 16 years in progressively senior roles at the John K. MacIver Institute for Public Policy in Wisconsin, culminating as senior fellow and content director. He started his professional career in Wisconsin television as a producer and reporter at stations in Milwaukee, Madison and Eau Claire. At MacIver, he launched its multi-media production operation to provide coverage and analysis of key policy events in state and local government. In addition to his role with the Roundtable, Osmulski serves as an infantry officer in the Wisconsin Army National Guard. Osmulski is originally from Munster, Indiana. He graduated from Marquette University with a bachelor's degree in broadcast and electronic communication and from the University of Wisconsin-Stout with a master's degree in operations and supply management. He is also a graduate of the U.S. Army's Command and General Staff College.

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