



IMPACT INVESTING AND DONOR-ADVISED FUNDS IN CANADA:

CHALLENGES AND OPPORTUNITIES WITH A VIEW TO THE FUTURE

SUMMARY REPORT

MAY 2025

TWINRIVER



WATERMARK
PHILANTHROPIC COUNSEL

Read the full report by Watermark Philanthropic Counsel for TwinRiver Capital

CONTENTS



IMPACT INVESTING AND DONOR-ADVISED FUNDS IN CANADA	6
CHALLENGES TO GROWING IMPACT INVESTING WITH DAF ASSETS	7
OPPORTUNITIES TO GROW IMPACT INVESTING WITH DAF ASSETS	9
ASSESSING THE FINANCIAL OPPORTUNITY	11
A MEASURED FUTURE	12



MESSAGE FROM TWINRIVER CAPITAL

Over the decade, we have supported foundations and family offices across Canada in setting up and executing their impact investment strategies. The impetus has been to create positive impact with entire portfolios of charitable assets, beyond deploying a fraction in grants that align with missions. In reality, the vast majority of charitable assets are held in conventional investment strategies, disconnected from the values that motivated their charitable designation in the first place.

Donor-advised funds (DAFs) represent a rapidly growing slice of these assets, and offer more flexible opportunities for expressions of donor objectives. These assets are held by a range of DAF foundations, including community foundations who are leading examples of foundations undertaking impact investing in Canada.

We commissioned research into DAFs and impact investing to better understand the extent to which individual donors and their advisors share the goal of achieving more impact by creating better alignment between their investments and granting strategies, and the extent to which they are aware of alternative approaches. We continue to be curious about the following question: If given the opportunity, is there a desire from philanthropic actors to generate social/environmental returns now while making decisions about future giving?

This report presents diverse sector voices, and the research is supported by stakeholders across this country. Collectively, we hope it starts a deeper conversation about the very premise that charitable assets should be managed differently than traditional investment assets. We believe this research provides an objective view, so that productive and informed ways forward can be determined.

We would like to express our deep appreciation to Sharilyn Hale and Keith Sjogren of Watermark Philanthropic Counsel for their leadership, as well as to our partners for their support of the project and their dedication to building the field of impact investing in Canada. And a big thank-you to everyone who participated in the research.

ADAM JAGELEWSKI, ILSE TREURNICHT, AND ERIC WETLAUFER
MANAGING PARTNERS, TWINRIVER CAPITAL

INTRODUCTION

The use of donor-advised funds (DAFs) to enable giving is on the rise in Canada. So, too, is impact investing activity. However, outside of a few foundations carving out allocations from conventional investment activities, there are few donor-focused impact investment solutions offered by DAF providers.

Watermark Philanthropic Counsel was engaged by TwinRiver Capital to explore the opportunities for wider adoption of impact investing through DAF foundations, to articulate barriers holding DAF foundations back from facilitating impact investment strategies, and to assess the level of interest from DAF donors in impact investment offerings.

The study was conducted between late 2024 and early 2025. Grounded in a robust review of literature and publicly available data, the research was informed significantly by interviews with affluent donors from across the country, DAF foundation executives, advisors in the family wealth ecosystem, and by responses to a donor survey that was distributed nationally in English and French.

We hope the findings outlined in this report prove to be a valuable resource for public foundations, affluent donors, wealth management advisors, regulators, and those involved in the development of public policy. More specifically, we hope this report plays a part in moving more capital for greater good.



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MAY 2025

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La Fondation du Grand Montréal

Impact United Academy

Manitoba Social Innovation Office

McConnell Foundation

Niagara Community Foundation

Ontario Trillium Foundation

Philantra Foundation

Private Giving Foundation

The Equality Fund

the51

The Veritas Foundation

Toronto Foundation

Vancouver Foundation

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IMPACT INVESTING AND DONOR-ADVISED FUNDS IN CANADA

This research project was commissioned to examine the opportunities for wider adoption of impact investing with DAF capital resources, identify barriers discouraging DAF foundations from offering impact investments, and to assess the willingness of affluent DAF donors in becoming active as impact investors.

THE GROWTH OF DONOR-ADVISED FUNDS HAS BEEN MULTI-FACETED AND IS EVIDENT IN TERMS OF THE:

- Number of individual funds, which is approximately 45,000.
- Number of foundations providing DAF management and administration.
- Flow of donations to both new and established funds.
- Volume and value of grants which exceeded \$1 billion for the second year.
- 20,000 or more charities that have benefited from grants from DAFs.

THE EXPANSION OF DAFS HAS BEEN DRIVEN BY:

- A heightened pace of liquidity events among Canada's affluent households.
- The transfer of wealth, both inter-spousal and inter-generational.
- Greater awareness of these giving vehicles, as well as ease of access to them.
- The involvement of financial institutions of all sizes.
- The participation of wealth advisors and philanthropy consultants.

By the end of 2023, assets held in Canadian DAFs rose to almost \$10.5 billion. While dwarfed by the \$91.1 billion in assets held in private foundations, and being only a fraction of the over \$7 trillion in financial assets owned by Canada's affluent households, DAF assets have been designated for public good and are viewed as a potentially sympathetic source of funding for impact investments.

CHALLENGES TO GROWING IMPACT INVESTING WITH DAF ASSETS

The research identified barriers that may impede the growth of impact investing funded by Canadian DAF assets.

- There is limited awareness and knowledge about impact investing, relative to the continuum of responsible investing, and confusion around terminology among a significant number of DAF foundations, donors and advisors.
- The appetite among donors for impact investing is muted, particularly older donors that control the lion's share of DAF assets, often with concerns that concessionary returns and limited liquidity will impact future granting activity.
- Among DAF donors willing to consider impact investing, there is a preference for investment offers that support charitable organizations and that align with their giving and geographic areas of focus.

- Each DAF foundation is structured and works differently, currently making a unified approach across all DAFs untenable.
- Conservative investment policies are the default at many leading DAF foundations, and record keeping, reporting and governance concerns limit executive and board interest.
- There is uncertainty at the foundation and donor/investor level about the ability to measure and assess social impacts effectively.
- A lack of easy-to-access or off-the-shelf impact investment opportunities, coupled with few compensation and referral approaches for dealers and advisors, limit promotion of such opportunities.
- The impact investment community is small and fragmented, with a low profile, making it difficult to advance sector-wide solutions.





OPPORTUNITIES TO GROW IMPACT INVESTING WITH DAF ASSETS

Despite the identified challenges, there is a need for more capital to advance social outcomes, and there is a cadre of ardent supporters of impact investing and an equal, if not larger, cohort that would like to be better educated and informed. The research identified opportunities that could advance greater DAF participation in impact investing.

- Engagement in impact investing is likely to increase over time as women philanthropists, including entrepreneurial women, and young, affluent donors increase their charitable influence and the level of their participation in philanthropy.
- DAF foundations already active in impact investing (mostly community and independent foundations), and those considering broadening their investment portfolios, may provide such investment opportunities outside the conventional donor-recommended DAF model, such as donors making grants from their DAFs to field-of-interest impact funds.

This has allowed DAF foundations to assist interested DAF donors to participate in impact programs outside conventional DAF structures that are not viewed as ideal vehicles for funding impact investments.

- Community foundations are best suited to lead the way, given their experience to date, strong presence in the DAF community, use of endowment models (see the table on page 11), as well as the demographic diversity of their donors, and broad social mandates.
- Impact investment offers that are sensitive to the charitable focus of most DAF donors (healthcare, education and poverty relief) will likely be more successful than those that emphasize other causes that are less supported (climate change and animal welfare).

Categories of DAFs and impact investment opportunities

FUND TYPE	FEATURES	IMPACT INVESTING OPPORTUNITY
Accumulation	Assets accumulate pending balloon grant	Low/Medium
Endowed	Capital maintained, grants made from income	High
Flow-through	Capital granted out within short time period	Low
Legacy	Established to continue philanthropy post-mortem	Medium/High
Spend-down	Assets granted out over extended period	Medium

- A move towards collaboration would create impact investment opportunities structured to enable funding by multiple foundations and, within those foundations, multiple DAFs. An example would be establishing a DAF foundation that would allow donors to hold DAF assets in only responsible investments.
- The social impact of impact investments tends to be of greater importance to donors than the financial returns, requiring deeper capacity and rigour among those that seek impact investors to document, demonstrate, measure and report the social impact of financing.
- Major banks and investment counselling firms with affiliated DAF foundations (among the fastest growing) could further demonstrate leadership and commitment to responsible investments by developing impact investment capability and expertise.
- More compensation and referral approaches that are attractive to financial advisors and a structure that is acceptable to investment dealers would allow impact investment projects or pooled funds to be widely distributed through all types of DAF foundations.
- Given the material lack of awareness and confusion around the topic, and the fragmented nature of the impact investment community, a single association or voice would be welcomed by both the DAF sector and the social investor sector.



ASSESSING THE FINANCIAL OPPORTUNITY

Given the challenges and opportunities, there is merit in assessing the potential financial opportunity of growing impact investing with DAF assets. On its own, DAF capital of more than \$10 billion is an attractive resource pool. However, only a modest portion of the DAF capital pool is likely available for impact investing, given:

- The average DAF in Canada holds less than \$250,000 and, at current distribution rates, the average DAF will have exhausted the initial capital in under 10 years, resulting in a focus on short-term and medium-term investments.
- Only 16% of DAFs have assets in excess of \$500,000.
- While 40% of donors surveyed said they would be willing to listen to an impact investing offer, a minority of DAF donors demonstrate a high level of enthusiasm for co-mingling granting and investment assets.
- Of those DAF donors interested in or already active as impact investors, our research found that 5-10% of DAF assets are likely to be dedicated to impact investments.

Based on these influences, a high-level estimate of DAF capital that may be attracted to impact investments is in the range of \$350-450 million, or approximately 3.5-4.5% of total DAF assets - helpful, but not transformational.

The greatest potential for impact investing remains with institutional investors, such as pension funds or major nonprofit investors, given the amount of capital that can be earmarked for social investments, compared to capital housed in DAFs.



A MEASURED FUTURE

There is potential for greater engagement in impact investing through individual DAFs through large, but currently inactive, DAF foundations, and among specific segments of DAF donors. Given the projected growth of the DAF sector, and with a concerted and coordinated effort, the opportunity to integrate impact investments into DAF investment policies and build institutional competence is expected to increase over time.

This view is measured however. Impact investing does not appeal to all affluent donors, and the approach does not fit easily within the traditional DAF model. As a result, greater adoption of impact investing with DAF assets is unlikely on its own to result in any significant movement of capital for social good.

Regardless, any progress will require cohesion among an expanded impact investing community, including among mainstream financial institutions and advisor networks. Without acceptance by a wider and more powerful audience, initiatives to bring impact investing from the side street to the high street will continue to make few inroads despite the righteousness of the cause and the acceptance of the investment approach by many Canadians.

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