



BEST PRACTICES FOR ADVISOR-MANAGED FUNDS: A GOVERNANCE GUIDE FOR COMMUNITY FOUNDATIONS

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Advisor-managed funds (AMFs) have become increasingly common in community foundation investment programs. Under an AMF setup, charitable assets remain under the legal ownership and fiduciary oversight of the foundation, while investment management is delegated to an outside advisor selected by, or associated with, a donor.

AMFs appeal to donors because they allow the donor's advisor to direct the investment rather than moving assets into a pooled investment program. AMFs can also lower barriers for donors to make charitable gifts by allowing donors to retain their trusted advisor. But AMFs also have unique governance challenges. Many community foundations find their AMF relationships to be time-consuming and their AMF responsibilities unclear.

NEPC works extensively with community foundations to assist with both investment and administrative performance. In surveying our community foundation partners, we have identified a set of best practices that has allowed foundations to utilize AMFs while more efficiently managing the responsibilities associated with them. Our findings suggest that AMFs can be an effective tool for donor acquisition, advisor engagement, and asset growth, but they must be implemented intentionally.

MANY COOKS IN THE KITCHEN

Advisor-managed funds go by many names, including externally managed funds, independently managed accounts and investment alliances. For foundations, these arrangements emerged because some donors want their established wealth advisor involved in managing their charitable contributions. Community foundations have embraced the arrangement because AMFs can also serve as a referral channel, encouraging advisors to introduce prospective donors to community foundations.

Whether the foundation chooses to view AMFs as an individual donor accommodation or a deliberate growth strategy, they must be prepared for the challenges AMFs create. Our community foundation partners report that the central issue with AMFs is that delegating investment management does not delegate fiduciary responsibility. Advisors may manage the assets, but the foundation continues to own the accounts, establish investment policy guidelines, oversee compliance, authorize and distribute grants, and be accountable for prudent stewardship.

This distinction is particularly important because AMFs may involve substantial operational complexity, given that the donor, their advisor, and the foundation all have a role in the AMFs administration. Responsibility often falls to the foundation for generating alignment around issues like cash movement, performance reporting, audit support, advisor communications, account-statement collection, custodian reconciliation, compliance monitoring, and benchmark maintenance. These demands can be time-consuming.

Fortunately, foundations with long-standing AMF arrangements have refined their governance strategies over time to streamline these administrative challenges. In our discussions with community foundation partners, we have highlighted five specific approaches that make AMF administration easier and less costly.

FIVE BEST GOVERNANCE PRACTICES FOR A SUSTAINABLE AMF PROGRAM

1. Define the purpose of the program.

Before establishing an AMF program, foundations should determine why they are offering it and how it fits within their mission and donor strategy. Is the primary objective donor retention, new donor acquisition, advisor engagement, asset growth, or flexibility for larger gifts? A clear purpose provides a framework for deciding which relationships to accept and how the program should operate.

2. Establish meaningful minimum account sizes.

Minimums should reflect the economics and administrative demands of the program, not simply fundraising aspirations. Among institutions we surveyed, AMF minimums ranged from \$250,000 to \$5 million, with most between \$500,000 and \$1 million¹.

Many of our foundation partners specifically warn against granting repeated exceptions for smaller accounts based on expectations of future asset growth. In many cases, anticipated growth does not materialize, leaving foundations with long-term administrative obligations that are difficult to justify economically.

3. Document governance responsibilities at the outset.

Foundations should establish written AMF-specific policies covering common oversight responsibilities, approved by the advisor and the donor. These policies may include:

- advisor approval procedures
- performance expectations
- asset-allocation guidelines
- reporting requirements
- circumstances under which a relationship can be modified or terminated

We believe it is essential that these expectations be established when the relationship begins – not when an issue first arises.

1. The findings presented in this article are based on surveys and interviews conducted by NEPC with 12 community foundation clients in August 2026. All observations and conclusions are derived solely from those responses and do not reflect an independent third-party survey or study.

4. Establish a formal review and escalation process, with defined roles.

An AMF program must incorporate periodic advisor reviews, with a well-defined agenda for sharing information and making decisions. If there are conflicts, the foundation will need to fall back on defined escalation procedures and clear termination provisions. Decision-making authority should also be explicitly divided among the board, staff, and outside advisor. These practices help ensure that delegated investment management does not blur accountability for fiduciary oversight.

5. Invest early in scalable infrastructure.

Spreadsheets may work for a small number of relationships, but growing programs typically require centralized reporting, data aggregation, and monitoring capabilities. In our experience, larger programs adopt investment accounting and reporting technologies as advisor relationships expand.

The most frequently cited technology platform was Clearwater, which is used for varying levels of reporting, compliance monitoring, portfolio analytics, and data aggregation. Other systems referenced included Give Interactive, NetSuite, CommunitySuite, and advisor-provided reporting platforms¹.

We find AMF scalability is often more dependent on operational infrastructure than on institutional size. A relatively small number of customized relationships can create significant administrative demands if systems and reporting processes are not standardized.

WHAT DOES AN EFFECTIVE AMF PROGRAM LOOK LIKE?

While approaches vary, the strongest programs in our survey shared several characteristics:

- A clearly defined minimum account size
- Written AMF-specific policies
- Defined advisor approval procedures
- Formal reporting requirements
- Periodic advisor reviews
- Defined escalation and termination processes
- Clear board, staff, and advisor responsibilities
- Technology and reporting infrastructure that can scale with the program

Importantly, growth does not necessarily make AMFs simpler. AMFs typically become more common as institutions grow larger. But larger programs often face more advisor relationships, customized benchmarks, sophisticated donor expectations, and greater reporting demands. Several of our foundation partners note that AMF programs often require dedicated staff, centralized dashboards, watchlists, and formal monitoring frameworks to maintain effective oversight.

CONCLUSION

Advisor-managed funds have evolved from niche accommodations into meaningful tools for many community foundations. They can strengthen donor relationships and expand connections with the advisory community, but they also require more operational oversight and governance attention than many institutions initially anticipate.

The experience of community foundation leaders suggests that sustainable AMF programs begin with clear objectives, realistic minimums, structured governance, defined accountability, and adequate administrative infrastructure. The goal is to provide donor flexibility while maintaining the foundation's responsibility for prudent stewardship.

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