

Money

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Make your charitable giving go further

By Ismat Sarah Mangla

Most of us feel generous in December, the top month for charitable donations, reports the Atlas of Giving. But regardless of when you give, you want to make sure that the funds are actually used to do real good.

"Not knowing how their money will be spent sometimes holds people back from supporting a charity," says Jason Franklin, who teaches nonprofit management and philanthropy at New York University and is executive director of Bolder Giving, a nonprofit focused on helping Americans give more effectively.

Meanwhile, recent news reports that major charities employ telemarketing firms that eat up more than half of funds raised may not have inspired confidence to open up your wallet.

Use this guide to make sure the maximum amount of your donation is going toward a deserving cause.

Sharpen your focus

A 2012 study from the Chronicle of Philanthropy reports that the median amount American households donate to charity each year is \$2,564. That's a nice chunk of change, but not if you're divvying it up among dozens of organizations.

“ Franklin suggests using the 50/20/30 rule: Half your giving should be focused on one charity -- the gift you'll spend the most time thinking about. Then set aside 20% for small impulse gifts and the final 30% for institutions you support on a regular basis, like your alma mater or your church. ”

"For every gift, there are fixed costs associated with stewarding and tracking it," adds Patrick Rooney, director of the Center on Philanthropy at Indiana University. "So the smaller the gift, the larger the percentage that goes to transaction and administrative



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costs."

Don't want to limit your donations to one or two organizations all year? Franklin suggests using the 50/20/30 rule: Half your giving should be focused on one charity -- the gift you'll spend the most time thinking about. Then set aside 20% for small impulse gifts and the final 30% for institutions you support on a regular basis, like your alma mater or your church.

Get with the new thinking

For the past decade the conventional wisdom has been to look up your preferred organizations' financials on GuideStar.org or CharityNavigator.org and stick with ones that limit their overhead expenses to less than 20% of their budget.

But expense ratios don't tell the

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whole story -- some nonprofits have higher administrative costs because of the nature of their work, says Fred Setterberg, co-author of "Giving with Confidence: A Guide to Savvy Philanthropy." (Note: Anything above 25% should still raise a red flag, says Franklin.)

Today, organizations that vet charities are increasingly focused on figuring out which ones are doing the best work to support their mission, says Sean Stannard-Stockton, a Burlingame, Calif., financial adviser who specializes in charitable giving.

Two sites can help you suss that out. MyPhilanthropedia.com (recently acquired by GuideStar) pulls together experts to recommend and evaluate charities in 31 different causes. GreatNonprofits.org offers crowd-sourced reviews of the work charities are doing, as told by volunteers, donors, and beneficiaries -- sort of like the Yelp of the nonprofit world.

Also dig into the organization's website yourself to see how it frames its goals: Specificity is important, says Jacob Harold, who formerly led grantmaking for the Hewlett Foundation and is now the CEO of GuideStar.

A charity that says it's going to train 10,000 people in East L.A. and ensure that 4,000 will get jobs between now and the end of 2013 is likely to spend your donation more carefully than one that says it's "going to end poverty."

Pay the old-fashioned way

Credit card and other processing fees can eat up as much as 5% of your donation to a charity -- so when you can, write a check or issue one through your bank's online bill-paying system.

A charity you love phones to ask for money? It's best to say no -- the telemarketing firm will get a cut of what you donate. The exception: Telethons that are run by universities or public broadcasters typically don't eat into the funds raised, but it's still best to send a check directly to the organization.

Once you do, get a receipt to deduct contributions. For donations of \$250 or more, you also need a note from the charity stating whether goods or services were provided in exchange for the gift. After all, 'tis better to give and receive. ■