

How to Donate Money Effectively

Submitted by Sean Gross

Whether it's the holidays or an unexpected disaster, Americans are always willing to donate to those less fortunate. It's the easiest thing in the world for us to open our checkbooks to a worthy cause without a second thought.

Yet your donation, regardless of size, should make the largest impact possible on your cherished causes and issues. When you support a charity's best interests, you're not selfish to support your own as well.

Give to efficient operations

In a perfect world, every cent you donate would go to fulfilling the mission you support. But some portion of every dollar goes to staff salaries, rent, fundraising, mailings, and possibly professional telemarketers. These expenses may leave your cause with very little.

Well-run organizations put most of your money toward their services or programs, not their operational overhead. The American Institute for Philanthropy recommends that no more than 40 percent of your charitable donation should go to overhead expenses; other charity watchdogs advise 25 percent. (This may not apply to newer, smaller, or more obscure causes.)

This percentage can be determined by requesting a charity's IRS Form 990, required for a nonprofit to prove its tax-exempt status. Federal law requires charities to provide the form for the past three years to anyone who asks. Divide line 13 (Program Services) by line 17 (Total Expenses) to calculate the percentage paid to services and programs versus overhead expenses.

You can research charities with The American Institute of Philanthropy's www.charitywatch.org, the Better Business Bureau Wise Giving Alliance's [Give.org](http://www.give.org), or Philanthropic Research, Inc's www.guidestar.org. All provide information on charities and their efficiencies.

You can also ask for the charity's annual reports. The report should include the mission statement, board of directors, and the year's accomplishments and finances. See if the charity's goals seem reasonable and achievable. If the charity tells you a report isn't available, is too expensive to mail, or otherwise discourages your interest, don't contribute.

Avoid the scam artists

Unfortunately, there are people who try to take advantage of others' generosity. Here are ways to reduce your chances of falling victim:

- If a solicitor mentions previous pledges you don't remember, check your records first. Don't fund donations you didn't make.
- Don't provide personal financial information in an e-mail, over the phone, or to door-to-door fundraisers. Use a website like www.networkforgood.org to donate safely with your
- credit card to over one million organizations. Ignore e-mail solicitations from organizations you don't support.
- Never give cash, or make checks out to Cash, or to an individual. Write checks out to the charity's exact name, not initials. Some scammers use names that are similar to well-known ones.
- Don't be swayed by on-the-spot high-pressure tactics or emotional sad stories. Ask for written information, or check the charity out online first.
- While many representatives for charitable causes are genuine, be aware of swindlers who often pretend to represent causes for missing children, soldiers or veterans, firefighters and police, or whatever disaster is in the news.

Know your tax benefits

Your philanthropy may provide possible tax advantages. Tax exempt organizations are not required to pay taxes. Tax-deductible donations are those you can deduct from your taxes if you itemize. The IRS has a listing of organizations to which deductions are tax-deductible per section 501(c)(3) of the Internal Revenue Code.

The IRS now requires actual receipts for all tax-deductible contributions of \$250 or more. You should use an independent appraiser when donating property worth more than \$5,000. The IRS won't take your or the charity's word for it. Consult your tax advisor for more help.

Reduce your solicitations

Many charities rent or trade their donor lists to other organizations to raise much-needed funds. As a result, you might get more requests in the mail the more you donate. The National Do Not Call Registry doesn't apply to nonprofit organizations.

You can send a letter, along with your donations, asking the recipient not rent, sell, or trade your personal information, name, or donation history to anyone. Or ask the recipient to limit its solicitations to only a few times a year. Explain that your future support is contingent on its cooperation. **Please contact our office for a sample letter.**

When your charity complies with your request, consider increasing your donations to reward it and to offset any lost revenue from renting your name.

If you are receiving unsolicited address labels, note cards, pens, pads, or other gifts from charities, you are not obligated to make a donation in return. To stop receiving these mailings, return the charity's envelope with a note requesting that your name be removed from its list. Be aware, however, that the organization might not be able to remove your name if it rented the list from a list provider.

Politely decline in-person solicitations by saying, "I limit my support to charities that I know well and support the causes that are most important to me." Consider concentrating your support to singular missions, such as curing cancer; or to helping institutions in your hometown.

Become a stakeholder in the cause you support. You deserve to know how your money is used. With a little research, you can feel confident your donations are being used wisely to better the world.