



## GIVING 101

### *A Charitable Giving Guide*

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## CHARITABLE GIVING 101

What I love most about philanthropy, otherwise known as charitable giving, is that the causes we chose to support are a clear indication of our core values. Do we give to the arts, advocate for human rights or volunteer at an animal shelter? How we chose to spend our time and money reflects our closely held beliefs and strongest personal attachments.

And since charitable giving is a representation of our personal views, we should take it seriously. This giving guide is a primer on the basics of personal philanthropy. We'll address the nuts & bolts of charitable giving, so as donors we can make better, more informed decisions about our contributions.

## WHAT IS PHILANTHROPY?

The idea of “philanthropy” is a bit off-putting for a lot of us, conjuring images of Bill Gates and Warren Buffett, huge piles of money and hospital wings. But high net worth philanthropy is actually a relatively small percentage of overall charitable giving. In fact, proportionately low-income and middle-income donors – you and me – actually give a greater percentage of our overall income to charitable causes.

So charitable giving is for everyone, and if you think about it, we do it all the time. When did we last buy Girl Scout cookies, sponsor our best friend's 3-day walk, contribute to the collection basket or drop off used clothing at a shelter? All these charitable acts are a form of philanthropy.

## WHY DO WE GIVE?

I like to think about charitable giving as a way to get involved – by volunteering, being informed about important issues and, yes, even by forking over some of our hard-earned cash. Charitable giving is about having a voice in making the world a better place (however each of us envisions that world).

***Benefiting Others:*** We give so that others may benefit. As human beings, we are motivated by the opportunity to do some good. Once a co-traveler asked me why I give and if I was trying to change the world? My answer: I don't think I can change the world, but I can alleviate a little bit of suffering. And to me, the joy of this small action is worth a lot.

***Benefiting Ourselves:*** And let's not forget, that when we give, we also benefit. As we become more actively involved in the issues that are important to us, we have the opportunity to:



- Meet like-minded people and develop friendships
- Gain knowledge about critical issues
- Hone professional skills and build important industry contacts

## WHAT CAN WE GIVE?

We have 3 gifts that are valuable to nonprofit organizations: knowledge, time & money.

### *Sharing Knowledge:*

- **Professional Advice:** If you are an attorney, accountant, or marketing / public relations professional – these are all skills that most nonprofit organizations need. A pro bono relationship is a fabulous way for us to give a significant gift.
- **Friends & Contacts:** Introducing an organization to your friends and professional network is *invaluable* for orgs since it's an opportunity for them to get in front of a friendly audience of potential donors.
- **Personal Opinion:** By becoming informed about an issue area and engaging in meaningful dialogue, we can help spread the word about the organization's work through social media and advocacy.

### *Volunteering Time:*

- **Direct vs. Indirect:** Direct action volunteering provides direct contact with the nonprofit organization's beneficiaries and includes activities like ladling soup, stocking food pantries, driving the elderly to appointments. Indirect work means that volunteers work within the organization. These volunteer opportunities are usually in the areas of fundraising, administration and technology.
- **Episodic vs. Long-term:** Nonprofits prefer to form long-standing relationships with volunteers, whether we agree to serve as a Board of Director for a year or donate several hours a week to the organization. If we can't make an ongoing commitment, we can volunteer episodically. Organizations like [One Brick](#) provide a calendar of volunteer opportunities in your city, offering the ability to sign up for one day or just a few hours at a time.

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**Insight:** BEFORE JUMPING INTO A LONG-TERM COMMITMENT, I RECOMMEND VOLUNTEERING FOR A FEW HOURS TO START. THIS WILL PROVIDE YOU WITH A SENSE ON HOW THE NONPROFIT IS RUN, THE TYPE OF WORK YOU'LL BE DOING, AND HOW THE ORGANIZATION TREATS VOLUNTEERS.

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***Donating Money:***

- **Cash:** There are several ways to make a cash donation, including one-time gifts, monthly sponsorships, and multi-year campaign support. When giving a cash donation, be sure and check if your company offers a corporate giving match. This is an easy way to double your donation.
- **Restricted & Unrestricted Funds:** A restricted gift is one that states specifically how the money is to be used. The best money for nonprofits are unrestricted donations, which allows the organization to decide how best to use the funds.
- **In-kind Gifts:** Nonprofits can also use hard assets, like a donation of land, a car, building supplies, and computers. While organizations receive much needed supplies, we get a tax deduction for these gifts.

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**Insight:** AS DEVELOPMENT DIRECTOR AT A LARGE NONPROFIT, I HAD A “CASH IS KING” SIGN HANGING OVER MY DESK. NOT SO SUBTLE, BUT THE MESSAGE CAME THROUGH LOUD AND CLEAR: NONPROFITS NEED MONEY.

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**WHERE CAN WE GIVE?**

**Domestic:** If giving domestically, we have 1.6 million nonprofits in the U.S. to choose from. But domestic giving doesn't necessarily mean local giving (as in our particular town). We can also give to our wider community, defined by:

- Geography – such as a local community fund or regional nonprofits
- Ethnicity – such as the [United Negro College Fund](#) or [American Indian College Fund](#)
- Religion – such as [Jewish Community Centers](#) or the [National Cathedral](#)
- Gender – such as [Boy's Town](#) or the [California Foundation for Women](#)
- Sexual Identity – such as Gay & Lesbian Advocates & Defenders ([GLAD](#))

**International:** Overseas giving is a bit more complicated since as donors we want to protect ourselves. One way to do this is by using intermediaries, such as [GlobalGiving.org](#) and [UniversalGiving.org](#). The advantages of using intermediaries are:

- Patriot Act protection (ensuring that your donation is not going to fund terrorist activities)
- Screening of international nonprofits (in terms of financial transparency and effective programming)
- U.S. charitable tax deduction for gifts intended for overseas



## HOW CAN WE GIVE?

**Individual Gifts:** In the U.S., recognized nonprofit organizations have a 501c3 designation, which provides us donors with tax-deductible benefits. If the organization is just starting out, they may not yet have their 501c3 status, but instead have a fiscal sponsor.

Fiscal sponsors act as a type of “big sister,” vouching for the work of the young nonprofit. Donations are made to the fiscal sponsor, which in turn, forwards the funds to the recipient organization.

**Structured Giving:** There are many types of structured giving options, including foundations and charitable trusts. For donors who give between \$5,000-\$5 million, a Donor Advised Funds (DAF) is a great choice.

The advantages of a DAF include the ability to increase the size of your gifts by investing your donation. DAFs also provide giving flexibility since we can make donations during a single year (receiving the full charitable tax deduction for that year), but distributing the donations over time. While I’m a fan of DAFs, we need to keep in mind a few restrictions:

- All donations are final
- Investments can go down
- Grant requests are merely “recommendations.” The parent fund is responsible for the legality of all charitable donations and may deny a grant request
- DAFs charge administrative fees

**Collective Giving:** Collective giving is increasing in popularity since it allows us donors to pool our money to fund a particular project. By pooling our money we can make a larger impact.

One type of collective giving is donor circles. Donor circles are typically formed around an issue area or geographic location. To participate in a donor circle, we give a donation to the nonprofit running the circle and our money is combined with other donations to create a giving fund. The members of the circle are then able to direct the fund’s gifts.

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**Insight:** NEARLY ALL MY GIVING IS DONE THROUGH A DAF, CALLED THE GOERINGO! FUND. DURING 2011-2012, MY INVESTED DONATION INCREASED BY 22%, ENABLING ME TO DONATE AN ADDITIONAL \$6,300 DURING MY TRAVELS.

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## WHO CAN WE GIVE TO?

It no easy task determining which organizations are worthy of our hard-earned money. So here are a couple of pointers to help us make this important decision.

**Conduct Research:** There are two ways to look at organizational excellence: quantitatively and qualitatively.

- **Quantitative:** We can evaluate a nonprofit's financial health by looking at the organization's 990 tax returns (we can view these online through sites like [GuideStar](#)). We can also read the organization's annual report, including the financial statement, budget, and the objectives for the year ahead. The rule of thumb is to look for organizations that spend no more than 25% of their budget on administration.
- **Qualitative:** We can try and evaluate the organization's programs and the impact its making on the population it serves. A site visit to the organization is a great way to ascertain this information.

**Seek Recommendations:** There are numerous charity watch dogs that provide a rating system on the effectiveness and health of nonprofit organizations. Here are several to consult: [Charity Navigator](#), [Charity Watch](#) & [Great Nonprofits](#).

**Get Referrals:** Word of mouth is always a powerful source, so ask for referrals from friends. We can also get our own referral by calling the nonprofit and asking a few targeted questions. How they respond may reveal a great deal of information.

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**Insight:** I CONSIDER A WELL-RUN ORGANIZATION ONE THAT INVESTS IN INFRASTRUCTURE, TECHNOLOGY SYSTEMS AND GOOD PERSONNEL PRACTICES, WHICH MAY DECREASE THEIR PERCENTAGE OF DOLLARS GOING TO DIRECTLY SUPPORT PROGRAMS, BUT INCREASES THE LONG-TERM HEALTH OF THE ORGANIZATION

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## CONCLUSION

Incorporating charitable giving into our lives is a good thing. It's both a gift that we give and that we receive. And by understanding how to give more strategically, our giving power can only grow.

Interested in learning more about charitable giving?

- Visit our web site at: [www.GoErinGo.com](http://www.GoErinGo.com)
- Have a specific question? Write to me at [Erin@GoErinGo.com](mailto:Erin@GoErinGo.com). I'm happy to answer your questions.

