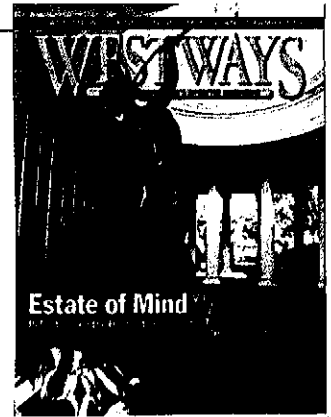


# Make Your Gifts Count

It's not always what you give, but how you give

BY LINDA STERN  
ILLUSTRATION BY PEGGY LINDT



**W**hile Americans are a charitable lot. In a matter of weeks, we ponied up \$1.4 billion to help the victims of the September 11 attacks. In 2000, we contributed some \$203.5 billion to churches, soup kitchens, nature conservancies, symphonies, disease research, and every other worthy cause imaginable, according to the American Association of Fundraising Counsel Trust for Philanthropy, which publishes *Giving USA*, an annual report on philanthropy.

Where you give your money is as personal as your DNA, and everyone has his or her favorite causes. But nobody wants gifts to be wasted. Here are some useful strategies to make sure your charitable buck has the biggest bang.

## Target It

Don't spread your giving too thin. Instead, donate larger amounts to fewer organizations. Targeting your gifts gives more focus to your giving, says Michael Allmon, a certified public accountant in Marina del Rey. It can also simplify your life—fewer charities to research, checks to write, and receipts to file.

Take time to narrow your charitable priorities and favorite causes. One approach is to look at groups in your own neighborhood, where you might see the fruits of your giving or from which you or the people you care about might directly benefit. In addition, Allmon suggests, consider that your \$50 check may have a bigger impact in a small local organization than in a large national one.

Once a month, Allmon and his wife, Monika, have a sit-down discussion with their daughters, Stefanie, 16, and Danika, 12, about the family's charitable goals. Each daughter chooses a charity to receive



\$25 from the family. The Allmons give most of what they donate to local causes, including the local education foundation that helps their daughters' public schools.

You can narrow your focus more than you might think. Eileen Gallo, a Los Angeles psychotherapist, set up a child-care scholarship at the after-school program that had been a lifesaver in her single-parent days. Each year she pays for one child of a single parent to attend the program.

## Check It Out

Some charities are more efficient than others in allocating funds. "You really have to know what the charity is all about," says

Jeanne Mann, a San Diego accountant who is an active donor. The Better Business Bureau (BBB) Wise Giving Alliance recommends only charities that use no more than 35 percent of contributions to raise more funds.

The Internet can make your research easier. GuideStar ([www.guidestar.org](http://www.guidestar.org)) offers an online database of more than 850,000 nonprofit organizations. The BBB Wise Giving Alliance ([www.give.org](http://www.give.org)) offers an online database and printed guide that report on which charities do and don't measure up to its standards. The NewTithing Group ([www.newtithing.org](http://www.newtithing.org)) offers a list of financial and management questions to ask any charity you're

considering donating to and a calculator for figuring out how much you can give.

### Keep the Right Records

When it comes to charitable donations, there are a slew of tax rules, most of which boil down to "get receipts." It's a good idea to keep a record of any donation you make, but the Internal Revenue Service (IRS) requires receipts for any donations of more than \$250 at a time; as the amounts go up, so do the requirements on types of receipts it will accept.

You also need a receipt showing the value of a charitable gift if you get something in return for part of that gift. For example, if you spend \$100 for a ticket to a charitable event and get a \$30 meal in return, the charity is required to give you a statement that shows the actual value of the donation; you can't write off the meal, too.

If your income is small but you give a lot to charity, get some professional tax advice. The rules can get complicated. For instance, your deductible charitable contributions may be limited to 20, 30, or

50 percent of your adjusted gross income, depending on what you give and to whom. The IRS website ([www.irs.gov](http://www.irs.gov)) will walk you through the ins and outs of charitable tax deductions: Click on "Tax Info for You" (at the bottom of the page); click on "Tax Trails" (in the left column); and click on "Charitable Contributions" (under the subhead Tax Credits).

### Give Appreciated Property

There's no sin in getting the biggest tax break possible for your charitable donations. Cash is nice, but securities are even better, Michael Allmon says. By giving appreciated stocks, bonds, or even real estate you can maximize the value of your gifts, because nonprofit groups won't have to pay the same taxes on profits that you would.

Here's how it works: Say that you paid \$300 for 100 shares of Microsoft stock and that it's now worth about \$7,200. If you sell that stock, you'll owe about \$1,380 in capital gains taxes and have just \$5,820 left to give the charity, giving you a tax deduction worth about \$1,630

if you're at the 28 percent federal tax bracket. Instead, you can sign your shares over to your charity. It can sell them without paying taxes and get the full \$7,200. You get to write off the full amount, too, making your deduction worth \$2,016. Most nonprofits know how to accept securities, so don't be afraid to ask.

### Use Sophisticated Instruments

There are a number of sophisticated investment vehicles for charitably inclined people who wish to have greater control over their gifts. In general, charitable trusts enable donors to get immediate tax write-offs and earn interest from their gifts. While the trust could be for any amount, \$100,000 is a practical minimum, says Frank Minton, president of Planned Giving Services, a Seattle consulting company. Someone who was sitting on some big capital gains in an investment could set up a trust with the investment, avoid paying tax on the gains, and direct the trust to pay income to the charity. There are unlimited ways of setting up these trusts so that both the charity and the donor can benefit.

The less well-heeled can turn to charitable funds established by several mutual fund companies, such as the Fidelity Charitable Gift Fund ([www.charitablegift.org](http://www.charitablegift.org)), the T. Rowe Price Program for Charitable Giving ([www.programforgiving.org](http://www.programforgiving.org)), the Vanguard Charitable Endowment Program ([www.vanguardcharitable.org](http://www.vanguardcharitable.org)), and the Schwab Fund for Charitable Giving ([www.schwabcharitable.org](http://www.schwabcharitable.org)). They all allow you to get a tax deduction when you write your check, invest the money in mutual funds, add to it annually until you build a substantial sum, and award the actual gift when you're ready. If you'd like, write the whole amount over to one organization and really do something exciting for the cause nearest to your heart.

Whatever form of charitable giving you choose, just make sure you follow the rules so that all of the money you donate is put to its best use. It's more fun to give money away when you know it's working for the causes you care about most. ⊕

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