

SmartMoney

Deal of the Day by Kelli B. Grant

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Make the Most of Your Charitable Donations

'TIS THE SEASON to be giving.

In 2006, Americans donated nearly \$223 billion to charities, most of it during the last three months of the year, according to an annual report from the Giving Institute, a professional association for charities. (Corporations gave another \$12.72 billion.) Despite economic concerns, such as skyrocketing energy prices and faltering consumer confidence, similar results are expected to be racked up this year. In fact, 60% of charities anticipate donations during this year's fourth quarter to exceed those of last year, according to an annual survey by charity evaluator GuideStar.

With all of that money being thrown toward charities during the holiday season, it's more important than ever to make sure you donate wisely. "Not all charities are wonderful just because they're charities," says Holden Karnofsky, executive director of *GiveWell*¹, a research group. "It's important to take the same care in giving to people in need as you would when buying for yourself or your family. That means homework."

Here are nine steps to ensure your donation makes the biggest difference:

1. Narrow your focus

Obviously, you'll get the most bang for your buck when giving to a charity that means something to you, but make sure you know how your money will be spent. The best way to do that is to find a charity that focuses on the goals you want to see accomplished.

"There are all sorts of organizations within a continuum," says Art Taylor, president of the Better Business Bureau's *Wise Giving Alliance*². One breast cancer charity might be dedicated solely to research, for example, while another focuses on preventative screenings, or victim support. So don't stop at broader issues like wildlife conservation or poverty, consider which aspect of a cause tugs most at your heartstrings.

2. Crunch the numbers

Want to find out how effectively your money will be spent? One way is to check your charity's finances on web sites like *GuideStar*³ and *Charity Navigator*⁴. The important figure to look for is the spending ratio, which is the percentage of donations that goes to programs, vs. administrative costs. Generally, you want to donate to groups that spend at least 75% of funds directly on their programs, says Sandra Miniutti, a spokeswoman for Charity Navigator. However, don't get too focused on that number, especially when comparing charities. "That's like looking at how much of a movie's budget is going to the actors, and rating the end result based on just that," says Karnofsky. Different charitable endeavors result in different expense ratios. As a working media group, National Public Radio understandably has higher operating expenses than, say, the American Institute for Aging Research, which gives directly to scientists. So a charity that uses 20% for itself isn't necessarily worse than a charity that uses 10%.

3. Measure results

Of course, you probably also want to know if the charity you're financing is doing what it said it would do. One way to figure this out is to compare the charity's mission statement with its activities. Is that at-risk-teen charity all research and no action, or does it maintain a full calendar of empowering, educational and fun after-school programs? Also, look for measurable results: the number of books provided to children in need, the number of homes built, etc. If you can't readily find such figures in the charity's literature, call. They should be able to offer up the details. If they're unwilling to be specific, take your money elsewhere.

4. Check accountability

Make sure the charities you donate to are operating in an ethical and accountable way, says Taylor. One way to find out is by visiting the Better Business Bureau's Wise Giving Alliance web site, which holds charities up to 20 different criteria such as accurate expense records and impartial board members — well above the legal requirements that the IRS demands of charities. The site also lists donor complaints and other infractions.

5. Concentrate your giving...

When it comes to donating money, quality is more important than quantity. Give a larger sum to one charity instead of splitting the money amongst several, can mean the difference between making a contribution and fully funding a project, even if your donation is small. Give \$10 each to Action Against Hunger and World Hunger Year and they will have a little more to contribute toward their outreach programs. But give it all to Heifer International, and that \$20 buys a flock of 10 chicks, each capable of producing up to 200 eggs a year.

6. ...but limit earmarking

If you've done your due diligence, you should be confident that your donation will be well spent. However, asking that the charity use the entirety of your donated funds toward one specific area can hurt more than it helps. "If everyone earmarks, you can get an awful lot of money for the programs, but no money to pay the heat for the building," says Suzanne Coffman, a GuideStar spokeswoman. The exception: donating after a crisis or natural disaster. Then, it's perfectly acceptable to tell a multiprogram charity that you'd like your cash to go to, say, its hurricane-relief endeavors.

7. Cut out the middleman

When a third party gets involved in your donation, less money makes it to the charity, cautions Miniutti. If you make a donation over the phone, for example, then you're probably pledging to a for-profit fundraising firm hired by the charity. Their take can easily be 65% of your pledge, she says. Online, social networking site Facebook's popular Causes feature deducts 4.5% from each donation, ostensibly to pay for credit-card fees and check distribution. For maximum impact, write a check and mail it to the charity yourself.

8. Keep an eye out for scammers

Unfortunately, the holiday seasons brings more than good cheer. It's also prime time for scammers who work under the guise of charity volunteers, says Miniutti. The best way to avoid being hoodwinked: Don't follow links in email solicitations, and don't give out your credit-card information to telemarketers. Also, make sure to confirm that the charity name and details in solicitations are exactly right — scammers often use similar-sounding names to legit groups, say, U.S. Red Cross instead of the American Red Cross.

9. Take advantage of the tax deduction

As most people know, there's a special present left for you if you donate before the end of the year: a potential tax deduction. Keep in mind that if you don't itemize your taxes, you can't deduct that \$200 check you wrote to Alliance for Youth Achievement. You also need to make sure that your charity of choice is designated as a 501(c)(3), which means the IRS considers it a qualified nonprofit. Then, don't

forget to get a receipt and other necessary paperwork when you make your donation. (For a list of what you need, click [here](#)⁵. For donations of clothing, a car or other goods, read our [story](#)⁶.)¹<http://www.givewell.net/>

²<http://www.give.org/>

³<http://www.guidestar.org/>

⁴<http://www.charitynavigator.org/>

⁵<http://www.smartmoney.com/taxmatters/index.cfm?story=20010830>

⁶<http://www.smartmoney.com/dealoftheday/index.cfm?story=20061222>

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