

What's the Problem?



Tips for Giving Wisely



With over 2 million nonprofit organizations in the US, competition for donations has become intense. As charities face budget cuts and increasing public demand for their services, they turn to you for more donations. Many charities stuff your mailbox with fundraising appeals, hire high pressure telephone solicitors, and use aggressive tactics to get your money. All of this can leave you feeling overwhelmed and confused about which charities are most deserving of your contributions. CharityWatch suggests the following pointers to help avoid the bad actors and give more effectively.

1. KNOW YOUR CHARITY

Charities have an obligation to provide detailed information to interested donors. Never give to a charity you know nothing about. Request written literature and a copy of the charity's latest annual report. This should include a list of the board of directors, a mission statement and the most recent available audited financial statements with accompanying notes.

If a charity does not provide you with the information you request, you may want to think twice about giving to it. Honest charities typically encourage your interest and respond to your questions.

2. FIND OUT WHERE YOUR DOLLARS GO

Ask how much of your donation goes for general administration and fundraising expenses and how much is left for the program services you want to support. The CharityWatch *Charity Rating Guide* recommends that in most cases 60% or more of your charitable donation should go to program services. In our view, 60% or greater is reasonable for most charities. The remaining percentage, ideally less than 40%, is spent on fundraising and general administration. **Note:** A 60% program percentage typically indicates a "satisfactory" or "C range" rating. Most highly efficient charities are able to spend 75% or more on programs. Keep in mind that newer groups and those that are working on less popular issues may find it necessary to spend a greater percentage on fundraising and administrative costs than well-established, popular groups.

Attempt to seek more information about charities that identify as "public education" large portions of their direct mail and telemarketing expenses. This may be done in some cases to disguise high fundraising costs.

It is difficult to find out the real percentage of donor dollars spent on program services due to the inconsistent quality of charitable self-reporting. But you can ask the charity's representative for specific information, such as how many individuals were served annually or what were the major program accomplishments during the past year.

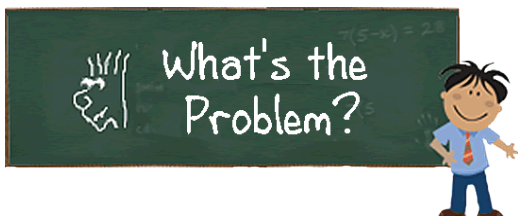
3. DO NOT RESPOND TO PRESSURE

Do not let yourself be pressured into contributing on the spot. If you are not familiar with a charity, request additional information in writing and inspect it carefully. You have a right to say no. No legitimate organization will pressure you to give immediately.

4. KEEP RECORDS OF YOUR DONATIONS

Do not give cash. Also, do not give your credit card number to a telephone solicitor or website that you do not know. Be sure to obtain a receipt or printed copy of your donation so you will have a record for tax purposes. Read more tips for giving online.

For tax purposes, you will need to keep a record of all your contributions of any amount. For contributions under \$250, records may be in the form of a bank record, cancelled check, or written communication from the charity. The written communication may be in the form of receipt or letter that must contain the charity's name and the amount and date of the contribution.



5. REMEMBER: "TAX EXEMPT" DOES NOT ALWAYS MEAN "TAX DEDUCTIBLE"

Not all charities soliciting for "good causes" are eligible to receive tax-deductible contributions. Many well known groups engage in lobbying or political activity which precludes them from receiving tax-deductible donations. "Tax exempt" means the organization does not have to pay taxes. "Tax deductible" means the donor can deduct contributions to the charity on his or her federal income tax return. Request the charity's tax exempt letter. If the charity does not have a tax exempt letter indicating its status with the IRS, you cannot legitimately claim your contribution as a tax deduction.

6. DO NOT BE MISLED BY A CHARITY'S FAMILIAR NAME

Some questionable charities use an impressive name which closely resembles the name of a respected, legitimate organization. Ask for information in writing. Check out the charity with CharityWatch or your state charity registration office before making a contribution.

7. DO NOT BE ENTICED BY EMOTIONAL APPEALS

Beware the pathetic "sob story." The hard-luck appeal is a favorite of some organizations. Question phone solicitors or direct mail appeals which tell you nothing of the charity or offer vague explanations for spending your charitable dollars.

8. ASK IF THE CHARITY IS REGISTERED BY FEDERAL, STATE AND/OR LOCAL AUTHORITIES

Nearly all non-church charities with more than \$25,000 per year in income must file financial information annually with the IRS. Currently 39 states and the District of Columbia require that charities register annually. Bear in mind that registration in and of itself is not a stamp of government approval or endorsement of the charity.

Charities with annual incomes of under \$25,000 are also required to file very limited information annually with the IRS.

9. BEWARE OF CHARITIES OFFERING GIFTS

Direct mail solicitations are often accompanied by greeting cards, address stickers, calendars, key rings or other "gifts." Charities do this because it can increase donations. But do not feel that you have to make a contribution to keep these "gifts." It is against the law for a charity to demand payment for any unordered merchandise. Beware that these enclosed items can mean higher fundraising costs for the organization.

10. CONSIDER GIVING GENEROUSLY

Once you are satisfied that the charity is worthwhile, give generously if you can. There are many good charities that need your help to operate valuable programs and provide needed services. When you give wisely, you will be giving more effectively.

Source: <http://www.charitywatch.org/tips.html>

CharityWatch.org is a charity rating and evaluation service dedicated to helping donors make informed giving decisions.