
THE R.A. READ

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7 Charitable Giving Missteps to Avoid

As many of my clients know, I am always looking for ways to give back to the community and to make a difference in the lives of others. Oftentimes I give my time, other times I give money, or both. In today's ever-changing world, there are many worthy causes and many ways to help out. My goal is to help alleviate some of the confusion of charitable giving and common mistakes folks can make. Read on to review seven potential potholes to avoid. If any of these mistakes stir up any questions about your overall financial plan, I am here to assist.

1. Spreading limited dollars over too many causes.

I call this "trying to butter everyone's bread." There are plenty of worthy charities. However, might it be a good idea to concentrate your limited resources on causes you are most passionate about? Here are some ideas. You might consider educational charities, culture and the arts, health and organizations that look for treatments and cures for diseases, charities that benefit animals or the environment, your church or place of worship, human services, international relief, or organizations that support the poor in your community. The choices are almost limitless. Your resources are not.

2. Getting the best return.

You've found charities that meet your criteria. For many, we want the best return on our dollar. We want our cash to be spent and invested wisely, not spent on administrative costs. According to CharityWatch, "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. Most highly efficient charities spend 75% or more on programs.

You desire to support your cause, not enrich the fundraisers. There are several charity watchdogs you can find online. Do your homework. You may find your decision reinforced by what you find. Or you may decide to steer clear of a particular organization based on your research.

3. Skip the middleman.

Give directly to the charity and avoid solicitors. The middleman gets paid to raise funds. That's a haircut on your donation you will want to avoid.

4. Steer clear of emotional appeals.

This is tricky and difficult. We want to help. We feel good about ourselves when we share our blessings with others who are less fortunate. It's part of who we are. Emotional appeals pull at our heartstrings. No one, including myself, is immune to what appear to be worthy charities.

Just be careful. You may want to concentrate on causes that have special meaning to you.

Furthermore, be careful about what might be called the flavor of the month. For instance, when a disaster occurs, there are reputable outfits we are all familiar with. Sadly, fraudsters can also play on our desire to help. Donate here and little if any money will make its way to those suffering from a natural disaster. Instead, your funds may simply line the pockets of scammers.

5. Why wait until the last minute.

Many nonprofits get a big chunk of cash at year-end. If possible, you can set up monthly payments that help even out the cash flow of these organizations, making it easier on their budgets—and your finances.

6. Rethink the small donation.

Ten dollars is ten dollars, and plenty of ten dollar donations will add up, but processing costs for the charity is high. Besides, if you give once, you'll probably be inundated by requests that raise a nonprofit's costs, diluting the impact of your one-time gift.

7. Failure to develop a strategy.

As I've said, we are tempted to respond when we hear a well-crafted message. Sometimes, it is a worthy cause. Our desire to help is admirable, and it speaks volumes about who we are, but be careful about exhausting limited finances and reducing donations to causes you care about the most.