

Give like a billionaire – even on your salary



Buffett, Gates, Oprah & Zuckerberg all give huge amounts to charity.
By Dan Kadlec, contributing editor, MONEY Magazine, Dec 14, 2010

(MONEY Magazine) -- Warren Buffett says he will donate 99% of his wealth. Bill Gates and his wife, Melinda, have given \$14.5 billion to fund vaccines. Oprah Winfrey has given \$40 million to start a school for girls in South Africa. Mark Zuckerberg pledged \$100 million to improve schools in Newark. And You?

Among the über-rich, giving über-big has become über-chic.

In June, Warren Buffett and Bill and Melinda Gates challenged the nation's billionaires to give away at least half their net worth. To date, about 40 have heeded the call, including New York City mayor Michael Bloomberg, eBay founder Pierre Omidyar, and moviemaker George Lucas.

Then, in September, the world's youngest billionaire, 26-year-old Facebook founder Mark Zuckerberg, sat down with fellow billionaire philanthropist Oprah Winfrey to announce that he was pledging \$100 million in company stock to the Newark public school system.

Inspiring stuff. Of course, not too many of us can part with half our dough. But if you think and act like a billionaire, you can make a bigger philanthropic impact than you ever thought possible.

And right now charities can really use your help: Donations to the nation's largest nonprofits plunged 11% last year -- the biggest falloff in at least two decades, according to the Chronicle of Philanthropy. So try these seven strategies of the super-rich.

FOCUS

BILLIONAIRES: Concentrate on a few key causes.

YOU: Write bigger checks to fewer charities.

There's nothing wrong with contributing \$20 here and \$100 there to a bunch of charities. But as billionaires have found,

making a bigger impact on a single cause can be more fulfilling.

Think Gates and global health, Oprah and schools for women, George Soros and democracy.

A gift of just \$250 to \$500 can make a substantial difference at some nonprofits, says Richard Marker, a senior fellow at New York University's Academy for Grant-making and Funder Education. In return, you're likely to get far more access and invites to special events.

Development directors at small charities are often willing to listen to suggestions from large donors, says Eileen Heisman, CEO of the National Philanthropic Trust.

Helping to fund a project can often be more satisfying than giving an arbitrary dollar amount, says Marker, since you'll really be able to see the impact of your donations at work. You may even be able to cover the full cost of a specific project, such as restocking the library of a senior center or giving new uniforms to an inner-city basketball team.

If you like the idea of fully funding a need but don't have deep pockets, check out **DonorsChoose.org**, where teachers post requests for materials such as lab equipment or a set of drums for the school band.

Make a plan, don't give out of guilt

BILLIONAIRES: Are businesslike about giving.

YOU: Plan out your giving for the year and take time to research charities.

Buffett doesn't sit down on Dec. 31, checkbook in hand, trying to remember how much he's already donated during the year and who already got a gift from him.

In fact, he decided several years ago that he would make annual donations with the aim of giving away about 85% of his Berkshire Hathaway stock (he also plans to give away most of the rest of his fortune). The bulk of the donations will go to the foundation started by the Gateses, whose charitable works Buffett says he has long admired.

But if you're like most donors, you respond to appeals in a haphazard way and don't bother to keep tabs on your gifts until tax time, says Sean Stannard-Stockton, CEO of Tactical Philanthropy Advisors in Burlingame, CA. "If you don't keep track, you're likely to give less -- not more -- than what you had envisioned," he says.

A better idea: At the beginning of the year settle on how much you want to give to charity and work



that into your budget. Then set up automatic quarterly payments from your checking account so that you'll stick to your commitment, as well as spread your giving throughout the year.

Take advantage of online tools to check that a charity is making the best use of its funds. Start at charitynavigator.org, where you'll find information on more than 5,500 organizations, including easy-to-use star ratings based on each group's financial health and its efficiency with donor funds.

If your prospective recipient isn't listed, you can always find the IRS Form 990 for more than 1.8 million U.S. charities on Guidestar.org; it reveals how much of an organization's budget goes to fundraising and administration vs. programs.

An efficient charity generally spends no more than 30% of its budget on such overhead, says Claudia Sangster, the director of philanthropy services at Harris myCFO.

Look back a few years to see if the organization has had high turnover at the board or management level. (Yearly overhauls are a signal the group may be dysfunctional, says Sangster.)

Also, check press releases on the charity's website to see whether it has support from well-known foundations; if so, the organization has likely been vetted by the foundations as well.

If you want an outside assessment on how well your favorite charity is accomplishing its goals, look it up on givewell.org, which analyzes the effectiveness of charities' programs. Because the site requires nonprofits to submit extensive information, however, only about 400 have been analyzed so far.

Pool your resources

BILLIONAIRES: Take their wealthy pals on a weekend retreat and hit them up for pledges.

YOU: Round up your like-minded friends and pool your charitable resources.

Teaming up with a dozen or so friends to make a large gift to a single charity has become far easier, thanks to social networks. On Facebook you can use the Causes application to create a page for a charity you want to support. Then invite friends to join the cause and give money through the site.

You can use Twitter to broadcast news about a charitable goal you'd like to accomplish, what your deadline is, and updates on how you're doing. "It helps if there's a sense of

urgency," says Beth Kanter, author of *The Networked Nonprofit*.

Offline, once you've found a willing group of people interested in the same good works, formalize the connection with what's known as a giving circle. In a giving circle, a small group of friends pay annual dues and meet a few times a year to discuss causes they'd like to fund.

Check whether you or your friends might be eligible for a program to match charitable gifts at your company; 34% of large firms offer matches, according to human resources consultancy Aon Hewitt, on amounts from a few hundred to a few thousands dollars a year.

Establish lasting legacies

BILLIONAIRES: Establish lasting legacies.

YOU: Benefit by working giving into your estate planning.

The estate tax took a break this year, but it's bound to come back at some point. So you may want to trim the size of your eventual estate -- and get a generous tax deduction -- by donating valuable assets now.

With a gift annuity, you can do so without giving up the rental income that your old vacation home generates, say, or the dividends that your blue-chip stocks pay.



When you put money into a gift annuity you get to deduct a portion of the gift, and the nonprofit pays you income for life, based on the value of your donation and your age:

The older you are, the higher the payout rate.

Today a 65-year-old who donates \$25,000 in cash to set up a gift annuity, for example, could earn 5.5%, or \$1,375 a year for life, while a 75-year-old could earn 6.4%, or \$1,600.

You can also choose to defer the income, taking the big upfront deduction during your working years and the payouts later on, when they'll probably be more useful to you.

Since the payout rates for gift annuities aren't tied solely to current interest rates, the income you'd get from them might be even better than what you'd earn if you kept a chunk of money in bonds or CDs, says Denver financial planner Ray Benton.

A portion of your gift annuity income will be tax-free for several years (payouts from stock or other appreciated assets are taxed differently).

Give away highly appreciated assets

BILLIONAIRES: Donate the fruits of their wealth.

YOU: Give away highly appreciated assets.

Maybe you have stocks that you've owned for 30 years, artwork that you've grown tired of, or a collection of Star Wars memorabilia gathering dust in the attic. Donating appreciated assets like these can help you and your favorite cause.



Say a stock you bought for \$10,000 two decades ago is worth \$40,000 today. Give it to charity, and not only can you avoid paying a 15% tax on your long-term capital gains of \$30,000 (about \$4,500), but you can also deduct the full \$40,000 on your taxes. Real estate and land enjoy similar tax treatment.

And if you happen to stumble across an original Monet while clearing out your attic? The tax rules are less favorable for art and collectibles. You can always deduct the amount you paid. But you can't write off the full market value of artwork unless the charity is using it for art-related purposes (in other words, hanging it in a museum), and the art must be professionally appraised.

If you want your Star Wars collectibles to become a force for good, sell them through eBay's Giving Works program. The auction site will waive its listing fee and commission if you agree to donate all of the sale proceeds to one of 18,000 charities.

Spread your giving over time

BILLIONAIRES: Have fancy foundations.

YOU: Can open a donor-advised fund to spread your giving over time.

The ultrarich love the prestige of foundations, and the tax benefits don't hurt either: Foundation benefactors get giant upfront tax deductions, plus the ability to keep making charitable gifts for years to come.

You can get many of the same benefits with a donor-advised fund. Brokerages such as Vanguard, Fidelity, or Schwab offer donor-advised funds, or you can set one up through a religious group, university, or community foundation, which is a nonprofit or trust that pools the money from many donor funds to support local charities.

When you open an account -- \$5,000 to \$10,000 is typically the minimum. You can take an immediate tax deduction for

the full amount of your gift. The money then grows tax-free, and you direct the fund to donate on your behalf whenever you like.

Brokerage-based funds tend to have the lowest fees and minimums and the widest selection of charities you can support; a community foundation will offer more advice and know about local needs, says planner Benton. You can find community foundations in your area at the Council of Foundations website, cof.org. Locally, www.chescocf.org.

Give away your time

BILLIONAIRES: Sit on nonprofit boards.

YOU: Give your time to your favorite cause.

For the rich, generous gifts often lead to a seat on the board of directors and a real say in how a charity is run. You can get close to the inner workings of your favorite cause by offering your time and talent.

Don't underestimate the value of what you can provide. A typical volunteer hour at say, a soup kitchen or in your parks department is worth \$20.85 to the organization, according to Independent Sector, a group that tracks nonprofits.

If you have professional skills -- medical, legal, accounting, tech -- your time is worth around \$100 an hour, estimates Social Venture Partners International, a nonprofit that supports philanthropy.

Volunteering is most valuable when you are dependable. Commit to at least four hours a month for one year, and shoot for a role you're prepared for so the charity doesn't have to train you, says Heisman of the National Philanthropic Trust.

You can't write off the value of your time on your taxes, though any expenses you incur, such as office supplies or building materials, are deductible. You're not likely to reap giant tax savings from volunteer work, of course. Says Heisman, "Charity is about more than the tax benefits."

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