



THE GREATER GOOD

Your charitable donations have the most impact when you give to groups that spend responsibly. Learn how to make your dollars count—and get the tax deduction you deserve.

BY CELIA SHATZMAN *Illustrations by David Senior*

When people learned of the devastating earthquake in Haiti two years ago, they responded quickly and generously, raising \$300 million dollars in just over a week. Whether inspired by a large-scale tragedy or old-fashioned goodwill, we're a nation of altruists, with an estimated 40 million Americans giving to charity each year. And there are plenty of causes to choose from. Since 1995, the number of tax-exempt nonprofits has nearly doubled, to about 1.5 million. Problem is, fraudulent groups are growing at the same rate. In the case of Haiti, for example, several organizations soon came under scrutiny for mishandling funds, and people are still questioning how much aid actually made it to those in need. So before you hand over your hard-earned money, it pays to take a few simple precautions to guarantee your gift will truly make a difference.

CONDUCT A BACKGROUND CHECK.

Experts say there are three things you should look at to determine if a charity is worthy of your support: financial health, accountability and growth. All tax-exempt nonprofits are required to file a tax form annually with the IRS and make it available to the public. Sandra Miniutti, vice president of marketing and CFO of Charity Navigator, the country's largest charity evaluator, suggests going to the Foundation Center's website (foundationcenter.org), which posts these documents online. "See how the group is spending its money—the majority should be going toward services—and whether the salaries are reasonable," she says. "A good benchmark is 75 percent for charitable work and 25 percent for fundraising and overhead costs." Financially sound organizations typically have a long-term history of growth—ideally, 3% to 5% a year. Steer clear of groups that are cutting back on programs, which could signal trouble. If they shut their doors, they may take your contributions with them.

GO STRAIGHT TO THE SOURCE.

Call the charity directly and ask about their specific goals, how they've reached them so far, what they hope to accomplish in the future, and exactly how your dollars will be spent. "An organization should be able to describe its mission clearly in a sentence or two and provide concrete examples of its accomplishments," says Bob Ottenhoff, president and CEO of GuideStar, a charity watchdog site. Follow up with some online research. Check out the nonprofit's website and read any testimonials and referrals. Do a Google News search to find the latest updates to make sure there are no controversies surrounding the group.

SAY NO TO THE HARD SELL.

Whether they're knocking on your door or asking for money at the mall, it's a red flag when charities turn up the pressure and ask you to register, pay fees up front, or donate on the spot. "Be wary of organizations that urge you to make an immediate decision or a certain minimum contribution," says Ottenhoff. "Well-established, experienced organizations know your contribution will be just as valuable a week, a month or even a year from now, and they will appreciate any amount." If someone is soliciting money on the phone, ask him to send you printed materials in the mail; if he won't, chances are they're not officially registered. Miniutti recommends proceeding carefully if you receive a telemarketing call, especially in the wake of a disaster that has gotten a lot of media attention. "Even if it's for a bona fide charity, middlemen may be keeping 80%," she says. "Since telemarketers must disclose their cut by law, ask them what it is."

GIVE THE RIGHT WAY.

Avoid donating cash and instead write a check—made out to the charity, not the person doing the soliciting. If you want to contribute online, verify you're on an authorized site. Visit Charity Navigator, which offers direct links to nonprofits, as well as their Twitter and Facebook pages. And always get a receipt to document your gift, both for your records and so you can claim a tax deduction. ●

FRAUD ALERT Chances are you or someone you know has received one—an emotional e-mail or text from a survivor of a recent disaster asking for aid. Don't be duped. "It's important to remember that those who have been impacted by a flood in Pakistan don't have your e-mail address or phone number," Miniutti says. Legitimate charities rarely solicit donations this way (unless you've given to the group in the past). These e-hoaxes aren't harmless, since they often include images or links that contain software viruses. Just hit delete.

Take Care

Only 35 percent of donors do any research before making a contribution. These web sites will help you identify legitimate, effective charities that need—and deserve—your support:

American Institute
of Philanthropy,
charitywatch.org

Better Business Bureau's
Wise Giving Alliance,
bbb.org/charity

Center for High
Impact Philanthropy,
impact.upenn.edu

Charity Navigator,
charitynavigator.org

Give Well,
givewell.org

GreatNonprofits,
greatnonprofits.org

GuideStar,
guidestar.org

GENEROSITY HAS ITS REWARDS

To get a tax deduction for donating to charity, here's what you need to know:

- The group must have a nonprofit, 501(c)(3) designation. Contributions to individuals, foreign organizations not registered in the U.S., and certain private foundations do not qualify.
- Your donation is deductible the same year it's made—that is, when you put the check in the mail or charge it to a credit card.
- There are no limits to how much you can give and still get a tax break unless you contribute more than 20% of your income.
- For volunteer work, you can't deduct the value of the hours you put in, but you can claim out-of-pocket costs like gas mileage.

TEXT EDUCATION

Before jumping on the text message donation craze, check with your cell phone carrier if normal texting rates apply, and make sure it's a one-time gift and not a recurring one. Research intermediary companies that help charities with their mobile fundraising; some ask nonprofits to pay a fee for processing costs, while others, including Mobile Giving, pass along 100%. Normally it takes 30 to 90 days for texted donations to reach their charity, so in the face of disaster, making direct contributions helps ensure your dollars are received—and put to use—more quickly.

