ArchBridge Family Office

Top Tips For Effective Charitable Giving

Americans are generous. They gave $471 billion to charity in 2020, nearly 80% by individuals (and the remainder from corporations and foundations). On a per-capita basis, that's seven times as much as Europeans, and twice as much as Canadians give.

It's not necessarily that Americans are better people; charitable giving is woven into the fabric of our society and acts as a counterbalance to our limited government compared with countries that have broader government-provided social services.

Why Do We Give to Charity?

While the reasons vary by individual, the top ones are:

- A reaction to personal experience. Examples are giving to an alma mater, a place of worship, or a cause that has affected themselves, a family member, or a friend.
- A need to make a difference, do something about a problem, or take a stand on an issue. For instance, to respond to a catastrophic local or global event like the Ukrainian refugee crisis.
- The motivation to receive recognition and benefits. There is a wide spectrum of psychological and emotional needs to be recognized, from a simple "thank you" to having your name on a building. Giving also signals virtue.
- A desire to strengthen bonds with a community. This includes giving that is based on personal relationships or returning a favor.
- The belief that giving is good to do. Some people believe in the value of giving itself. They may also feel a spiritual or moral obligation.

All these reasons have a common foundation: **we give because it makes us feel good**. Research has found that giving to charity increases happiness and an overall sense of well-being for the giver. Some studies have found that giving money to benefit others increases the giver's happiness more than spending money on themselves. It just feels good to give.

Beware of Unorganized and Reactive Giving

Yet not all charitable giving is created equal. In my experience working with wealthy families, I've found that charitable giving that is strategic and planned is more satisfying for the donor than reactive or unorganized giving.

I was reminded of this while doing my taxes this year. I saw that I had given to many charities with which I have

no relationship and about which I know little. These gifts were in response to solicitations. While none of them was large, taken together, they added up to a tidy amount. I would have felt better about giving that money to a charity I know and care about. I have clients who've expressed the same sentiment.

How to Be a More Effective Giver

How can we be more strategic and effective with our giving so we feel better about it?

Adopt a Top-Down Strategy

Start by defining your top-down strategy, how much you want to give to charity each year, and roughly which charities or causes you will support. For example, you may decide that you want to donate about $40,000 and that you'd like 25% to go towards education, 40% to environmental causes, 15% to support the arts, and 20% to various charities that you'll decide about as the case arises (or solicitations arrive in the mail).

As you formulate your strategy, think about your values and passions and how your giving can further them. Which problems do you want to help solve? For instance, I've been vegan for 20 years and would like to help others switch to plant-based eating. Yet, little of my giving contributes to that. In 2022 I'll be searching for organizations I can support that advance veganism.

Select Charitable Organizations

Once you've decided how much you'd like to give and how you want to allocate it, you next need to select some charities.

First, review the charities to which you usually give. Are there any that aren't solving problems you care about? Are you giving to some because you've given in the past? It's okay to stop giving to charities that you don't connect with strategically or emotionally. And don't feel bad about not giving to organizations that solicit you.

There are several ways to find charitable organizations that line up with your top-down strategy:

- Use a charity recommender service like Giving Compass, Charity Navigator, Charity Watch, or Give Well. These organizations have large, searchable databases of charitable organizations in many fields.
- Ask your local community foundation for assistance. They will have insight into charities that are doing effective work in the areas you want to contribute.
- Find another donor, such as a foundation with expertise in an area, and give in parallel to them or just to them. For example, if you are interested in health care, look at who the Robert Wood Johnson Foundation supports.
- Make a site visit to a charity to learn more about them and help you decide whether you want to give to them.

Monitor Your Giving

Third, monitor and evaluate your giving. A key to feeling good about your giving is knowing if it's effective.

- Periodically set aside time to review charities to which you give. Look at their websites which often detail the projects they undertake. Many charity websites have a blog or an area for news.

- Many charities produce an annual impact report detailing how effectively they are addressing their core mission. Make sure you are on the list to receive these reports from your charities.
- Galas and other events hosted by a charity can provide valuable information about the organization's achievements and deepen your mutual relationship.
- For your most important charitable relationships, periodic meetings to learn about their good works provide great insight into the organization and the impact your charitable dollars make.
- The tax returns of every charity are open to public inspection and can be found through the website Guidestar. A charity's tax return provides valuable information about its financial health and where and how it spends its money.

Charitable giving is personal — there is no one right way to do it. The most important things are that you feel good about your giving and you are making a difference in the world.



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