

# Charitable Donations 101

Most of us believe in causes that we are willing to donate our money to. This can range from religious organizations, sports teams, animal shelters, or disease research just to name a few. There are many things to consider when donating your money. How do you know where to start? This lesson will be a guide to understanding charities so that you can be informed on where you send your money.

## **Determine what causes are important to you.**

Are you an animal lover? Are you a die-hard alumni of your high school or college? Are you proud of the good work your place of worship does? Is there an outstanding organization in your community? Make sure the charity you choose is a charity you feel comfortable sticking with for a while. Don't give to the first organization that asks for money, really give where your heart is.

**Deciding who gets your money.**

## **Take the time to research your charity.**

Before you give any money, make sure you understand several aspects of the charity you are interested in. The goals and programs of the charity should be understandable. If they are not, staff and/or volunteers should be willing to explain them to you. Ask for written information about the charity, including the name, address, and telephone number. A legitimate charity or fundraiser will send you information about the charity's mission, how your donation will be used, and proof that your contribution is tax deductible. Charities are subject to tax rules from the IRS just like the rest of us. They should be able to show exactly where your money is going and how it will be used.



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## Protecting Yourself from a Scam

Here are some simple steps to protect you and your money:

- Investigate your charity's "donor rights" policy. Good charities will agree not to sell or give your information to other groups.
- Be skeptical of phone solicitors, but don't assume they are all scams. Some legitimate groups, especially those you are members of, will solicit via phone. If you've never heard of a group who is calling, be sure to investigate them before giving money.
- A good charity's financial records will be transparent. Don't be afraid to check with the IRS, or the Indiana Secretary of State. They will be able to alert you to any investment scams involving that charity.
- Be wary of charities that spring up overnight in connection with current events or natural disasters.
- Don't be shy about asking who wants your money.
- Check with local recipients. If giving to local organizations is important to you, make sure they will benefit from your generosity. If a charity tells you that your dollars will support a local organization, like a fire department, police department, or hospital, call the organization to verify the claim.
- Watch out for similar sounding names. Some phony charities use names that closely resemble those of respected, legitimate organizations. If you notice a small difference from the name of the charity you intend to deal with, call the organization you know to check it out.
- Know the difference between "tax exempt" and "tax deductible." Tax exempt means the organization doesn't have to pay taxes. Tax deductible means you can deduct your contribution on your federal income tax return. Even if an organization is tax exempt, your contribution may not be tax deductible. If a tax deduction is important to you, ask for a receipt showing the amount of your contribution and stating that it is tax deductible.
- Trust your gut — and check your records if you have any doubt about whether you've made a pledge or a contribution.
- Refuse high pressure appeals. Legitimate fundraisers generally don't push you to give on the spot.
- Be wary of charities offering to send a courier or overnight delivery service to collect your donation immediately.
- Do not send or give cash donations. Cash can be lost or stolen. For security and tax record purposes, it's best to pay by check — made payable to the charity, not the solicitor. If you're thinking about giving online, look for indicators that the site is secure, like a lock icon on the browser's status bar or a URL that begins "https:" (the "s" stands for "secure").

## How Much Do I Give?

How much you give is completely based on your family. Some families prefer to give smaller gifts more often, while others will give large gifts every few years.

Most charities appreciate any amount of money you can give, even if it's \$10. Many will also gladly set up a payment or installment plan so that you are able to give more.

## Think Outside the Box When Giving

Donations don't always have to be monetary. Here are some other ways to give:

- Volunteerism is a welcome gift for many charities
  - Even if you don't have time to volunteer on a regular basis—find a few special projects you could help with.
  - Make it a family affair—even small children can help out with events and other activities.
- Donate airline frequent flyer miles/hotel points to various charities
- Collect soda tabs, aluminum cans, box tops, etc. for causes.
- Have a bottle/jar/bin for loose change. As a family, decide on a charity at the beginning of the year and turn in all the loose change for your donation to the charity at the end of the year.
- Contribute to organizations' "wish lists"
- Support a cause with your license plate. The State of Indiana makes it easy for us.
- Use [www.goodsearch.com](http://www.goodsearch.com) as your search engine. Each search will donate a few cents to a charity of your choice.
- Get involved in various community "drives"—canned food, coats, school supplies, etc.

### Sources:

Charity Navigator; [www.charitynavigator.org](http://www.charitynavigator.org)

Federal Trade Commission Consumer Protection;

<http://www.ftc.gov/bcp/edu/pubs/consumer/telemarketing/tel01.shtm>

### Additional Resources:

BBB Wise Giving Alliance

(703) 276-0100

[www.bbb.org/charity](http://www.bbb.org/charity)

American Institute of Philanthropy

(773) 529-2300

[www.charitywatch.org](http://www.charitywatch.org)

Military Relief Societies

[www.militaryhomefront.dod.mil](http://www.militaryhomefront.dod.mil)

GuideStar

(757) 229-4631

[www.guidestar.org](http://www.guidestar.org)

Indiana Investment Watch

<http://www.in.gov/sos/securities/investmentwatch/>

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