

Make Your Charitable Giving Count

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Many charities in the United States are competing for your money. Unfortunately, an estimated \$20 billion intended for charitable contributions may end up in the pockets of fraudulent solicitors. With more than half a million federally recognized charities soliciting your contributions, your good intentions are not enough. To make the most of your charitable giving, you must carefully research charitable organizations before donating.

Many legal charities spend more on fundraising and administrative costs than on helping people or providing services. Most people who give to charities don't know that the law does not regulate the percentage of funds that a charity must use for its cause. Many charities spend as much as 75 percent or more of donated funds on administrative expenses and on raising more money. Some spend as little as 2 to 3 percent on their stated mission. Not all charities that operate on such a budget are fraudulent, although you may want to seek charities that give more of the funds collected to the cause for which they are soliciting.

Professional Solicitors

Many charitable organizations use professional solicitors to raise funds. The solicitors give a specified amount to the charity for which they are soliciting, and the rest goes to salaries and other operational costs. This practice is perfectly legal, yet some professional fundraising organizations keep an exceptionally large percentage of the donated money.

Under Kentucky law, professional solicitors are required to tell you that they are paid fundraisers when they call. Solicitors often ignore this law, so it is up to you to ask if they are working directly for the charity or for a professional fundraising organization. Solicitors are also required to tell you what percentage of the money you give will be used for charity and how much goes toward fundraising costs—but only if you ask. Before you give, ask yourself if you really want

to give money to a charity that spends more than 20 percent of your contributions on fundraising and administrative costs. Knowing where your money goes may affect your decision to give to a particular organization.

All professional solicitors engaged in active campaigns for charities in Kentucky are required to register with the state Attorney General, post a bond, and submit to a background check. Solicitors operating in Kentucky without proper registration are subject to civil and criminal penalties. The Attorney General's office maintains an online database of charities and professional solicitors at www.ag.ky.gov/ag/agdownloads/psactivecampaigns.pdf.

Fraudulent Solicitors

Fraudulent solicitors can be very crafty. To give you a false sense of comfort about contributing, they may suggest that you have given to their charity in the past. They may play on your emotions, using causes such as orphans, animals, homeless, veterans, or the environment, topics that touch the hearts of many Americans. They may use a name that is close to a well-known legitimate charity to confuse you. You may be targeted because of your past interest in similar causes or charities.

You must listen closely to what the person is saying and be alert for warning signs of fraud. The FTC suggests that consumers use the following commonsense

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Even if an organization is tax exempt, your contribution may not be tax deductible. If deductibility is important to you, ask for a receipt showing the amount of your contribution and stating that it is tax deductible.

precautions to make sure their money goes to the causes they intend to support. Whenever you are asked to give:

- **Ask for written information**, including the charity's name, address, and telephone number. A legitimate charity or fundraiser will give you materials outlining the charity's mission, explaining how your donation will be used, and informing you whether your contribution is tax deductible.
- **Call the charity.** Find out if the organization is aware of the solicitation and has authorized the use of its name.
- **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 deductibility is important to you, ask for a receipt showing the amount of your contribution and stating that it is tax deductible.
- **Refuse high-pressure appeals.** Legitimate fundraisers won't push you to give on the spot.
- **Avoid cash gifts**, which can be lost or stolen. For security and tax record purposes, pay by check. Use the full official name of the charity—not initials—on your check.

Fraud during Tragedy

Natural disasters and humanitarian crises tend to bring out the best in the American people. People are moved to give generously and to sacrifice for those who are experiencing loss or hardship. The outpouring of goodwill and caring can be a bright spot during difficult times; however, not all intentions are good and honorable. Scammers abound at times of tragedy, so avoid:

- Email requests from people or organizations you don't know calling for assistance for families in need. It is a good policy not to respond to e-mails soliciting charitable contributions.

- Organizations that say they will direct your contribution to the Red Cross. If you wish to contribute money to the Red Cross, go directly to its website (www.redcross.org) or to a local chapter, or donate by phone at (800) 733-2767 (English), (800) 257-7575 (Spanish), or (800) 220-4095 (TDD).
- Groups that waste money that could go to their cause sending free gifts with their solicitations.

Many well-meaning Americans fall prey to con artists taking advantage of the emotions of the moment to solicit funds for fraudulent charities. You have to be well-informed to insure that your money actually gets to the people you intend to help.

Ask Yourself

The Kentucky Attorney General's office suggests you ask yourself the following questions when dealing with charitable organizations:

- Did the organization refuse to answer your questions or to send you written material or financial information?
- Did the caller offer to send a courier to collect your contribution? (Don't automatically assume a charity is fraudulent if it does this; some legitimate solicitors do send couriers. Consumers should be aware, however, that this is a practice of many fraudulent charities.)
- Did the charity send you an invoice or statement indicating a payment due for a contribution you never pledged to make?
- Does the organization's name and logo closely resemble a well-known charity with a similar charitable purpose?

Resources

The American Institute of Philanthropy (AIP) issues a rating guide based upon information received from charities. The top-rated charities on their list spend 25 percent or less of the money they raise for fundraising. The AIP rates a wide variety of charities in 34 categories, including human rights, cancer, animal protection, and literacy. You can find a complete listing of charities and their AIP ratings at www.charitywatch.org/toprated.html.

The Better Business Bureau Wise Giving Alliance (www.give.org/reports/) provides information regarding charities' programs, governance, fundraising practices, and finances. The BBB investigates a charity based upon the number of inquiries received by the public.

Charity Navigator (www.charitynavigator.org/) is a free source for researching charities. Their database of more than 5,000 charities provides an overall rating, shows the percentage of expenses that go toward actual programs, includes income and mission statements and an analysis versus peer organizations.

Charity Choices (www.charitablechoices.org) includes a listing of more than 300 charities that have met the government's accountability standards, including low overhead.

Sources

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