

5 Ways to Make Your Charitable Giving Count

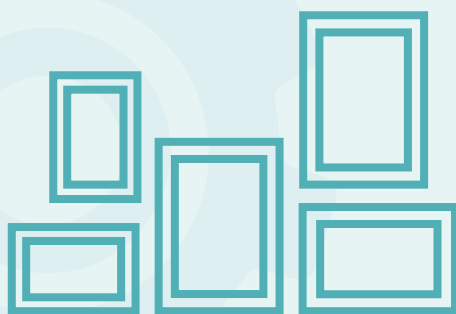


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Picture this scenario we've all been in...



You're in the grocery store checkout line. The associate has finished ringing up all your items and, before finalizing your transaction, asks you if you want to donate to the local food bank or children's hospital. Thinking "why not," you make an impulse decision and agree to add a few dollars for the cause onto your bill.

Now, there's absolutely nothing wrong with that scenario. But let's imagine that instead of donating a couple dollars, you're donating hundreds or thousands of dollars. Feeling like you want to give out of spur-of-the-moment empathy—or worse, that you have to give out of obligation or guilt—isn't how you should approach philanthropy. Your giving becomes fragmented and doesn't actually accomplish your charitable goals.

Just like your personal finances, you need a plan for your charitable giving. Here's where to start:



Figure Out Your Goals

It sounds like a simple question, but it's actually pretty difficult to answer: what matters most to you? The most productive charitable giving comes from first determining what your charitable goals are. Having this clearly in mind means that you'll be able to better evaluate charities and solicitations through the lens of "is this truly what matters to me?"

Don't know where to start? Ask yourself:

- » *What charities, non-profit organizations, houses of worship and educational institutions have touched your life or the life of someone close to you?*
- » *What issues or changes have you observed in your own community?*
- » *What topics in the news can you not stop reading about?*
- » *Is there an opportunity your family has that you wish everyone else had too?*

These may help you identify which of the many charitable causes out there resonate with you most.



Get Away from “Checkbook Giving”

Giving to anyone who asks you for money doesn't help you accomplish your charitable goals. Instead, you end up at the end of the year with a dozen receipts from disparate charities and causes that don't speak to what you value most. And moreover, you receive little or no communication telling you how your gift actually made an impact. I get it, it's tough to say no to the friend who's raising money for a charity half marathon or to the solicitation from the local animal shelter. But being clear on your philanthropic priorities, and taking the time to vet organizations that fit within those priorities, means that you'll have more money available to give and to create the meaningful impact you want to see.



Don't Dismiss Funding for General Operations

Having worked in philanthropy, I know how appealing it is for donors to give to a particular project or initiative at an organization—the inside-baseball term for this is “restricted funding.” It may feel like this is the best way to make your donation count. But think about it from the organization's perspective: receiving only restricted donations means they don't have enough “unrestricted” money to fund their general operations—to pay rent, to buy supplies, and to pay the salaries of the people who are doing the work to advance the organization's mission.

Giving unrestricted funds essentially helps the organization you value keep the lights on and, furthermore, to pivot quickly if the needs of who they're serving change. Unrestricted funding may not sound as interesting, but trust me, to small organizations in particular, it's critically important.



Don't Think About the Tax Benefits (At First)

Yes, there are a lot of tax benefits to philanthropic giving, but truthfully, if saving on taxes is your primary motivation when giving to a charity, then you're approaching this all wrong. Socking money away in a charitable giving vehicle each year without having any plan as to where and how to distribute the funds defeats the purpose of why such vehicles exist: to help you give to charity. Think about your philanthropic intentions first, and then we can talk further about tax saving opportunities.



Have Big Plans? Consider a Donor Advised Fund

Maybe you aren't just thinking about your charitable gifts for the coming months. Maybe you're getting a windfall this year, such as from a business sale or inheritance, and you'd like to earmark a portion for charity, but you don't know yet which charity and how much. Maybe you want to make a transformational gift to an organization in a few years that will take time to accumulate. Maybe you have a large amount of appreciated stock that you'd like to use to fund charitable gifts, but you're hesitant to realize big capital gains.

If any of these situations sound familiar, a Donor Advised Fund (DAF) may be a good fit for you. A DAF is a type of charitable giving vehicle. You receive a tax deduction in the year you make a contribution (contributions can be made at any time during the life of the DAF) equal to the full value of the assets you contributed, and you can distribute donations on a flexible time table (no minimum or maximum annual distribution requirements). You can also invest funds in a DAF so that they will grow or generate income, depending on your philanthropic goals—all of which is tax-free since money in a DAF is qualified charitable funds.

When it comes to philanthropy, there's a tendency to both overcomplicate and oversimplify it. Remember that your charitable dollars have the biggest impact when they're serving the larger picture. Having a plan for your charitable giving means that the next time you're in the metaphorical grocery store checkout line, you'll be confident that you're giving with purpose.



Learn more about the author, [Jessica L. Gibbs, CFP®](#)

To learn more about creating a charitable impact, I recommend starting with this book: [Giving Done Right: Effective Philanthropy and Making Every Dollar Count](#) by Phil Buchanan.



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