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PREFACE

WHY YOU NEED THIS BOOK

For most of our careers we have worked for nonprofit organizations advising donors on ways to make charitable gifts. We wrote *Invest in Charity* to teach donors how to select charities, make outright gifts, life income gifts, and gifts of assets other than cash such as stock, real estate, and tangible personal property. We hope this book will help donors, volunteers, professional advisors, and the charity's development staff better understand the process of gift giving.

This book will help you understand the world of philanthropy. You will learn the language of charitable giving and learn how best to make your gift. You will examine the tax benefits of making your gift, how to select the best type of gift to make, and which asset to use to fund it. You'll also learn about charitable organizations and about how to research them, learn about the work they do, and feel secure that your gift will be used as you wish.

Invest in Charity teaches you how to become a philanthropist on your own terms. Donors transfer over $190 billion to charities annually, and it is important for you to have access to the necessary information and resources to evaluate the appropriate gift options and charities. You may not know about life income gift options, such as charitable gift annuities and charitable remainder trusts. This book provides you with information about all charitable planned giving options and in a logical and sequential manner takes you through the steps necessary to make the right decision about your philanthropy. You worked hard to build your financial resources. Now you need to be smart and careful about your philanthropy.

Until now there has been limited opportunities for people to learn about charitable giving. Donors must rely on others such as attorneys, certified public accountants, financial planners, or a charity's professional staff. This book is a self-help resource for individuals who are considering making charitable gifts. *Invest in Charity* bridges the information gap that exists between individuals and charities and outlines strategies for effective charitable giving. Hundreds of self-help books teach individuals the how-to of financial planning, investing, and money management, but none teaches people how to best become donors. This book

does just that, by providing information about charities, charitable giving, gift options, strategies and techniques, asset usage, and planning considerations to integrate charitable gift planning into your overall tax, estate, and financial plans. Reading this book will empower you with the techniques involved in charitable giving.

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Invest in Charity

CHAPTER 1

Engaging in Philanthropy

You have made it! You have acquired substantial financial resources and are beginning to seriously consider the role of philanthropy and charity in your life. Perhaps you are considering making your first charitable gift; or you may have been making gifts for years and now want to know more about philanthropy. You are at a point in your life when you feel that you want to make a difference in the lives of others, and philanthropy may be a way to do this. You may be asking yourself, "Is there more to life than what I'm doing? Does acquiring material goods really fulfill me? Do I want to leave a legacy—something beyond what I do today?

You have now reached a point when you have the capacity and desire to help others through charitable giving. Becoming a philanthropist is a wonderful experience. You may not yet see yourself as a philanthropist, but don't worry, philanthropists make both large and small gifts. Many donors started out by making small gifts and gradually increased the size of their gifts over time, as they acquired greater wealth and more disposable income. One thing is certain about philanthropy. To be a philanthropist, you do not need to be rich, you need only to care about helping a charity or helping someone or something that the charity serves.

PHILANTHROPY IN THE UNITED STATES

Philanthropy is uniquely American. Congress has provided the American public with incentives such as charitable income tax deductions, capital gains avoidance, and estate tax deductions to make charitable gifts. Charities provide services that federal, state, and local governments would have to offer if it were not for the nation's charities. No other country in

the world encourages private philanthropy more than the United States. Philanthropy has emerged as a part of everyday American culture. High-profile cases, such as Bill Gates's philanthropic activities, are well documented, as are stories about everyday people making spectacular gifts to deserving charities. Americans are intrigued by these stories as they wrestle with their own challenges to support charities and fulfill their philanthropic goals.

Most of the country's new donors are very "hands on" with their philanthropy. They explore and research thoroughly before they give. They want regular reporting on how their gift is used. And they want to see their money make a difference: that their gift ultimately helps those for whom it was intended.

Philanthropists make an enormous difference in this country. Most nonprofits rely on fundraising to help do their work: many organizations can fund only about 60% of their work and look to donors and other sources to make up the difference.

What is it about philanthropy that can make a donor part with assets that were painstakingly accumulated over a lifetime? Why does a donor make a gift that represents up to a third or half of his/her net worth to charity? The need to help others, to benefit charity, to do something noble and good are strong factors in helping donors make a gift. By providing the funding for a new wing on a hospital, buying books for a library, or creating a new children's display at a museum, donors make a difference in the lives of others. Donors, by supporting charities, provide opportunities so that others can benefit. Were it not for the support of philanthropists, big and small, the nation's libraries, museums, art galleries, hospitals, colleges, and universities would be without the resources that make them what they are today.

WHO ARE THE NATION'S PAST AND FUTURE DONORS AND WHERE DO YOU FIT IN?

Traditionally, philanthropists were males or surviving spouses or childless couples. Many were older and had accumulated enough wealth and were at a sufficiently comfortable place financially to want to benefit charity. They felt connected to a charity or cause and they wanted to give something back. They made their gifts outright, through a life income arrangement, or through their estates.

Today's new donor is different. He or she tends to be self-made and has different expectations. If the donor is married, both spouses tend to be more involved in family giving. For other donors who live with a partner, philanthropy may be linked to specific causes that are important