
The Art *of* Giving

WHERE *the* SOUL MEETS
a BUSINESS PLAN

Charles Bronfman &
Jeffrey Solomon

FOREWORD BY JAMES WOLFENSOHN, FORMER PRESIDENT, WORLD BANK

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In memory of our parents:

Saidye and Sam

Herta and Martin

*whose values taught us to do our best in making
the world a better place.*



And in honor of our grandchildren:

Alexandra, Danielle, Lila, Lucy, Olivia, and Rainen

Samuel, Scott, Talia, and Zack

*who we know will continue the tradition to which
their parents are also committed.*

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FOREWORD

IF PHILANTHROPY IS THE LOVE OF MANKIND, then it is apt that this fine and helpful book should be dedicated to this subject, for it demonstrates its own love for humanity on every page. I do not mean love of the folksong variety that one sometimes encounters in charity work, but one that is more like tough love: it takes on the hard issues of a difficult trade in an unsentimental and clear-minded way, and it offers novel and compelling suggestions about ways that money, wisely applied, can make the world a better place. It is hard to imagine a potential donor who would not benefit from the insights of this book or to think of a veteran donor who won't wish that the book had been available sooner.

For all of its universality, to say nothing of its potency, philanthropy is little understood by the general public, or even by its practitioners. This book should go some way to change all that. And we owe a debt to Charles Bronfman and Jeffrey Solomon, who have been practitioners in the field for over a half-century between them, for setting down their ideas in such a fresh and readable fashion.

People who know nothing about philanthropy assume that it is easy. You reach into your wallet to pull out some cash for a

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small gift or write a check for a large one. Deliver the money to the recipient of your largess, and the work is done. Well, those of us who are in the business know that what has more likely just occurred is a waste of resources. Philanthropy cannot be so casual. It must be purposeful. It must connect.

Philanthropy involves both dreams and plans. You have to be inspired, and you have to be sensible. So many philanthropists miss this duality, erring too far in one direction or the other. But Bronfman and Solomon get it exactly right.

On the sensible side of the ledger, they are fierce advocates of measurement, a source of some controversy in the charitable community, which can be somewhat averse to hard numbers. As is often said, nonprofits have no bottom line, no easily recognizable and universally recognized measure of success. So they depend on other measures, often inconsistent and subjective, by which to determine when they are doing well and when they are doing badly. In insisting that nonprofits create and heed common measures of performance, Bronfman and Solomon are applying a welcome realism to a business sector that all too often lacks it completely.

The element of the book that is most inspiring is the one that is possibly the most daring: the authors' wise observation that philanthropy starts with you. Your feelings. Your dreams. Your values. And it makes you part of a broader world. By supporting causes outside your daily life, you not only do good for others, but you benefit by your involvement in the broader world in which we live. You learn about foreign lands, people of all types, and important causes, and you meet an extraordinary group of people. The act of giving is in fact a gift to oneself. Too many donors feel ashamed, or are made to feel ashamed, if they feel any personal gratification for the gifts they make. They are supposed to be selfless, a very odd notion if you think about it, as few people are on a regular basis. Just like any investor, donors are entitled

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to personal satisfaction for their financial contributions. And as Bronfman and Solomon point out, the pleasure that they take is their just reward for what they do, and it is also the source of their sustaining connection to the cause. It is what makes their work worth doing—for society and for them.

The big secret of philanthropy is now out. Philanthropy is fun. It is joyful. It is fulfilling. It will make your life feel worthwhile in ways that few other enterprises can.

Let this book show you how.



August 2009
New York City

James Wolfensohn

The Art
of Giving



INTRODUCTION

Who We Are

TO MANY PEOPLE, THE WORLD OF NONPROFITS is like the dark side of the moon: mysterious, remote, and subject to unusual forces. We have spent a half-century working in this realm and hope this book will shed some light on the strange enterprise of doing good. We do this primarily for the sake of potential donors, who are, after all, essential to philanthropy. Without donors, there would be no philanthropy at all. No private universities, many fewer hospitals, no places of worship, precious few museums, and infinitely fewer programs for the poor, the arts, the elderly, the environment.

Despite their centrality, donors have few resources for solid information about making their gifts—deciding what the right gift is for them, how to structure it, how to consider the tax implications, and countless other complexities. And then there is the emotional aspect. Few donors are selfless, and that is fine. The question is, What self governs these philanthropic choices, or what portion of that self? Where does the donor's deep passion reside? What is he or she hoping to accomplish? Too often philanthropic gifts are made out of social or business obligation, guilt, or whim, which takes all the urgency and meaning out of them, to say nothing of the fun.

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To give is a sweet verb. But it also runs counter to some basic human impulses—so counter, in fact, that we tend to think of the nonprofit world as the negative economy, an upside-down world where philanthropies are inverted versions of “actual” businesses or industries, spending money without making it. That mistaken idea leads to many others about the peculiar notion of existing to serve others and measuring success in terms other than dollars.

Such attitudes place philanthropy in a special preserve and require a special understanding. With this book, we’re hoping to instruct donors, and would-be donors, on some of the truths of our trade, like the nature and definition of progress, the proper balance between ambition and resources, how to sort through the overwhelming number of opportunities, and such abstruse but essential matters as board governance and tax liabilities. Philanthropy can also be addictive. Where the donor’s money goes, her heart is likely to follow.

We have divided this book into four parts to cover the essential elements that the donor needs to understand in order to make the most effective and satisfying gifts. Part One, “The Donor,” is about just that: the donor herself. We situate her in the new philanthropic era, helping to identify her most authentic motivation, seeing where she fits within the wide range of donors, and guiding her as she selects the perfect gift to make. Of the three parts, it is the most psychological, since it necessarily delves into the soul where, we will argue, the essential motivations lie. This is not a book defining how you ought to do philanthropy. It is about discovering how you want to do philanthropy.

The parts that follow lay out the business plan that will turn the soulful aspirations of a potential donor into reality. Part Two, “The Partners,” gets more practical. Philanthropy, after all, needs to be practical if it is going to succeed. The part proceeds from the

assumption that few donors can go it alone, especially in a period of economic austerity. It lays out the connections a donor can make to maximize his impact on the world, whether it is working with a nonprofit agency to get the work done, coordinating with fellow board members to increase effectiveness, or establishing a family foundation that unites several generations in a common cause—and without the rancor that can attend such a venture. All of these strategies extend the donor's reach in the world, increase his leverage, and so boost impact.

And finally, in Part Three, “The Gift,” we address the many complexities of the donation itself. Philanthropy is rarely as simple as writing a check, because it is important to recognize the legal, financial, tax, and practical implications of the various types of donation in order to identify the one or ones that work best for you. The best donors are the ones who are most knowledgeable and best prepared. To round out our donor's instruction, we lay out the many varieties of donation, ranging from the creation of complicated land trusts to the transfer of the rights to valuable intellectual property, and from the many attractions of unrestricted gifts to the surprising utility of event-related ones. We describe and evaluate the advantages and disadvantages of each. We also lay out our conviction that an essential element of philanthropy is measurement. If you can't measure the impact of your gift, you should not make it. Without measurement, there can be no confidence in success. For further assistance in this challenging realm, Part Four provides a broad range of more specialized resources.

And success is what we are committed to. In a realm of life that has no bottom line, no universally agreed-on definition of success, we offer this: success is accomplishing the objective that you set for your gift. If you give twenty-five thousand dollars to provide violins and instruction to fifty inner-city youths for three years,

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success is doing that. But we'd go further. Success is meeting an objective, yes, but success also means finding an objective that is worth achieving, given all the time, energy, and money it will require of you. Ultimately success is changing the world for the better. And the change begins with you. How do you want to change the world today?



We're not experts, but we have been around. We have come to this calling by radically different routes. Charles Bronfman is the second son of Sam Bronfman, the storied founder of Seagram Company in Montreal. After dropping out of McGill University midway through his junior year to enter the family company, he was quickly put to work to learn all areas of the business: distilling and blending, accounts payable, sales and marketing.

After four years, Charles was put in charge of a smaller Canadian firm acquired by Seagram. Although it had several dozen salesmen across Canada, its domestic operations were poor. Charles turned it into a profitable business in a year. When he was twenty-five years old, Charles took over all of Seagram's marketing in Canada, and at age twenty-eight, he was appointed president of Seagram's Canadian operations. With increasing responsibilities through the years, he closed out his fifty-year career at the Seagram Company as its co-chairman.

Charles's father, Sam, became the leading Jewish philanthropist in Canada, giving time and money to many causes both within the Jewish and larger community, as he realized that any citizen of any country should give to the betterment of the country beyond his own group's interests. He delighted in the ways that philanthropy broadened his worldview.

Charles got involved at a young age, collecting fifty-cent pieces for the Montreal Jewish Appeal. "With responsibility must come

authority” was his watchword. In his thirties, Charles became an officer of the Montreal Jewish Federation, the central planning, fundraising, and allocation organization in the Montreal Jewish community.

In 1968, Charles seized the opportunity to be founding owner of the Montreal Expos, the first of the Canadian expansion teams of Major League Baseball. It was a chance to shift from being an inheritor to being a pioneer. It also freed him from endless comparisons to his brother Edgar, who had emerged as the company head. With his new self-confidence, Charles decided to create the foundation that bears his name and that of his late wife, Andrea.

Through the Andrea and Charles Bronfman Philanthropies (ACBP), first in Montreal and now in New York City, he has maintained two overriding commitments. Charles has long been devoted to the cause of Israel, where he sponsors the largest educational enrichment program serving some 265,000 elementary school students annually. And through such programs as Birthright Israel, the ACBP aims to foster Jewish identity by sponsoring young people of Jewish descent on a free ten-day trip to Israel. As a native Canadian, Charles has also been distressed that his fellow Canadians have long defined themselves by what they are not. They are not Americans, not British, not French. The ACBP has backed an effort to define Canadians by what they are, primarily through a series of one-minute spots shown with the trailers in Canadian theaters extolling a variety of Canadian heroes in the Heritage Program. The ACBP now engages in \$220 million worth of programmatic activities and has been hailed as a model foundation by the Philanthropy Roundtable. Charles and Andrea never imagined that the Philanthropies would continue indefinitely. Charles’s two children were given adequate resources by their grandfather to continue their own philanthropy in their own way, so Charles and Andrea decided to have the ACBP

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spend down the foundation's corpus by 2016, when Charles turns eighty-five. In this way, the foundation can better concentrate on its mission and fulfill Charles's and Andrea's objectives. It also placed the emphasis on the work, not on the organization.



As the son of Jewish refugees from Germany, Jeffrey Solomon followed a different path to his life in philanthropy. His mother first worked in the United States as a housecleaner; his father was a butcher who ran a delicatessen in New York City's Gramercy Park. At the age of twelve, Jeff began working for his father stocking shelves, making sandwiches, and doing whatever else needed doing. The experience taught him a lesson he has carried through in non-profits: the work is never done. If there are customers, help them. If there aren't any customers, dust the shelves. If the shelves are dusted, slice the meat. From behind the counter, he also honed his people skills, engaging with everyone from the cops from the nearby police academy to the local businessmen, and even the occasional celebrity.

At a family deli, everyone does a bit of everything, and so Jeff learned the necessary skills of running a business—accounts payable, accounts receivable, inventory control—all of which proved useful training for handling the understaffed and overstrained nonprofits he would later run. He learned to look at the balance sheets of nonprofits and zero in on the bottom 10 percent that were headed for trouble rather than let his attention wander to the others that were doing fine. And he learned to ask the right questions.

Ultimately the deli business led directly to his nonprofit career. At that time, many of New York's social service agencies were located near Park Avenue South, just a couple of blocks from the store. Among his other duties, Jeff made deliveries, and in the process, he got to know many of the leaders in the field. When Jeff

turned seventeen, one of them asked if he would like to pitch in at one of his agencies that summer. If it meant an end to delivering sandwiches, he would. So off he went to East Harlem and into the world of nonprofit agencies, with occasional detours into positions of government service.

Jeff's years in the family delicatessen were formative in terms of work ethic and business savvy, but he was also a product of his time. Entering the workforce in the 1960s, when most young people were questioning authority, helped make Jeff the new philanthropist he is today. From his earliest days in philanthropy, he had little patience for those many practices that were in place solely because they were in place. Also, in mental health, where he had done his early work, government money came to be increasingly influential, crowding out individual donations. And it made the arbitrary and self-serving ways of old philanthropy open to question too, which had decided rather whimsically who was eligible for the services of the program. As the government money came in, that became a matter for the professional staff, based on well-thought-out policy directives. That is to say, it started to be run like a business.

Jeff spent much of his early career in the social service and mental health fields in Miami and New York City and has also overseen this work in government at the city, state, and federal levels. A widely recognized authority on philanthropy, he was in charge of fundraising and grant making to over 120 agencies as the chief operating officer of UJA-Federation of New York before coming to the Charles and Andrea Bronfman Philanthropies as its president in 1997.



Together we would like to think we bring a fresh, enlivening approach to an enterprise that too often is undervalued and thought of as the province of the burned-out and overwhelmed. For the

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potential donor, volunteer, and even just the curious, we offer this book as a short course in how to be a street-smart, effective philanthropist regardless of your income level. We'll help you figure out your own relationship with charitable giving, sorting out what matters most to you and how to go about getting it. The world is filled with wonderful agencies with good intentions, but as you'll soon find, we are realists, and so we also will show you how to keep from getting picked clean by the vultures that circle this business—the supposedly disinterested philanthropic mentors who actually have only their own interests at heart. This is also a book for nonprofit program and development executives aiming at placing a donor-centered mirror up to their lives and their livings.

After so many decades of experience, we are not blind to the challenges of the field, but we are also alert to its excitement and promise. And we have a long history of turning that promise into product. Still, we have no investment in our way. We have an investment only in the best way. Philanthropic dollars are too precious, and the charitable needs are too great, for anyone to be satisfied with anything less.

PART ONE

The Donor



" I'M AFRAID I HAVE TO CLASSIFY YOU AS 'WEIRD',
MR. HAINESWORTH. YOU JUST DON'T HAVE THE NET WORTH
TO QUALIFY AS 'ECCENTRIC'."

CHAPTER 1

Getting Started

SAY YOU'RE SIXTY-SEVEN, AND YOU'VE SPENT your career turning your father's hardware store into a successful chain of stores throughout the Midwest, and you're ready for something else. Your children have no interest in taking over the business, so you decide to cash out. When the \$50 million arrives by wire into your account, you are floating. Then it hits: What to do with so much money? You have vague thoughts of travel and a fondness for musical theater, but few interests beyond that. Your life has been your work. You're a widower, and you want to set some of the money aside for your children and to be comfortable yourself. But that still leaves well over \$30 million. You're seized by the idea that you should be good to the society that has been so good to you. A major gift to your alma mater, perhaps, or possibly endowing a struggling theater in town? But, you wonder, aren't there more important causes? Wider-reaching ones perhaps? Ones where you could get involved yourself?

But what?

Or maybe you're forty-three, with a fistful of stock options in a company that was nothing more than a bunch of interesting algorithms when you first signed on and now has grown to dominate the market for software that assists in securing online purchases. The options have skyrocketed in value nearly a thousand-fold, making your net worth jump from about \$17,000, or whatever

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your car and clothes were worth at the age of twenty-four when you joined the company, to somewhere north of \$10 million today. You're unmarried, with just a cat for regular company—and you aren't the type to give everything to her. You have your own financial security to consider. But that still leaves at least \$5 million “extra,” as you think of it. And with everything that is going on in the world, you feel a little weird about having so much money just sitting in your investment account. You've contributed to political campaigns, donated a few thousand dollars to breast cancer research and other causes, but now you're thinking that maybe you should do more to make a positive difference in the world.

But what?

Or perhaps you're thirty-nine and you certainly aren't rich, but you do make a decent income, and you'd like to give some of it away. You don't have enough to end hunger in sub-Saharan Africa, but you are hoping to do a little good in a world that so plainly needs it. Plus, you like the idea of being connected to a cause that is larger than yourself. You give regularly to your local NPR station and have faithfully contributed to your college's alumni fund, although you sometimes wonder why. But now you're thinking that you'd like to bundle the money you make available for those gifts, and maybe add a little more, to come up with a few thousand dollars a year that might really help one cause—and be more satisfying for you too. But you look around, and all you can think is that everywhere you look is need. Still, you definitely want to do something.

But what?

Or let's say you're twenty-five. You've been at your first job for a few years now and recently got a raise with your first promotion. You rent, have a roommate, and tend to be economical. So even after your student loans and car payments, you have a bit left over. You see what is going on in the world, and you'd like to do something to help. Your company will match your donations

dollar for dollar. But there are so many choices! You're besieged by requests from friends to sponsor them on charitable walks, runs, rides, events. And that's nothing compared to all the appeals that come in the mail or from homeless people on the street. And you have your own organizations and causes you would like to support. You don't have that much money, but you would like to do something smart and useful with it.

But what?



If you see yourself in one of these vignettes, you are not alone. There are millions of people like you—well-meaning people who have more money than they need, would like to do something worthwhile with it, and are baffled as to what. It is not for lack of funds. In the first half of this century, before the downturn of 2008 skewed projections, it was predicted that \$40 trillion would be passed down to the baby boomers from their parents and grandparents of the World War II generation. \$40 trillion: that's four hundred times this year's military budget, twelve times the entire outlay of the federal government, and three times the nation's gross domestic product. It was enough to create 40 million millionaires. And this is not including the wealth created more recently by hedge fund managers, venture capitalists, real estate developers, founders of computer and Internet companies, and other holders of equity stakes in growing businesses—all of whom have come into tremendous fortunes seemingly overnight.

Although the full impact of the recent economic downturn is not yet known, our faith in American resilience leads us to believe that while the numbers may change, the issue will again emerge. But all the more striking are the donors who are not rich but are hard working, who, for all the emphasis on the Gateses of the world, constitute the bulk of the donors in the new philanthropy. Of

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2007's record-breaking \$306.39 billion in charitable contributions, individuals contributed 74.8 percent, the majority of the givers having incomes under \$100,000. (Corporations, foundations, and bequests accounted for the rest.) The prewar generation was more generous than the baby boomers, who were in turn more generous than Generation X, but mostly that is because disposable income is a function of age, and giving increases with income. Some of the money comes out of salaries, the rest from wise investments in real estate or the stock market. Whatever the source, the full array of such wealth is potentially the single greatest source for good in American history and, arguably, in the history of all mankind. Even as we adjust to lowered expectations, philanthropy will grow relative to other components of the economy.

As Tocqueville first pointed out, of all nationalities, Americans have the most fervid volunteer spirit, stemming from a conviction that the people should retain a greater power than the government to transform society. And so, to the astonishment of foreigners, America is the land of nonprofits. From universities to hospitals, from arts associations to day care centers, nonprofits are a tremendous part of this nation's gross national product. If the nonprofit sector were a single industry, it would be by far the largest industry in the United States, employing one out of every ten American workers.

So as a donor, can you just sprinkle your money over a few congenial nonprofits with nice brochures and celebrity endorsements, and then watch these institutions crank out good works? Perhaps. But for all of its many assets, the nonprofit sector, like all others, is pockmarked with tragically underperforming elements. Just as there are killer stocks and there are duds, the investor in nonprofits faces a welter of good, not-so-good, and third-rate

organizations clamoring for his money. Which ones are which? We certainly can't evaluate them all. Those that have (such as Charity Navigator) look at financial efficiency due to the challenges of sectorwide performance measurements of effectiveness and value. We think of philanthropy in investment terms—investments for a better world. Although, as we will point out, the challenge in nonprofits is often choosing between good and good, there are enough underperforming ones that donors should be wary. Too many nonprofits lack clear purpose, effective leadership, and competent management, and their highest priority appears to be preserving their own existence. We assail these underperformers because such entities turn the spiritual act of giving into a frustrating game.

It is important to remember that a nonprofit is a business, and it should be run as one, with no less an emphasis on efficiency, transparency, and accountability than you would find in its for-profit counterparts—indeed, more so. Although we celebrate the differences between mission-oriented nonprofits and profit-oriented businesses, we acknowledge the gap in measurements, benchmarks, and markets. The economic meltdown that began in late 2008 underscores the fallibility of unabashed business modeling. Nevertheless, the principles and experience of transparent competition can serve societal needs beyond the simple marketplace.

Charity Versus Philanthropy

Philanthropy is hard to do well. It is far more difficult to design and run a nonprofit than it is to manage a for-profit company of equivalent size. Why? Because in the nonprofit world, there is no

single, universally agreed-on measure of success. Now we believe in measures, and work very hard to create them, and we use them to evaluate our own endeavors. But it is not obvious what those measures are, for there is no built-in bottom line of profit and loss of return on investment. Without such measures, nonprofits too often are flying blind, relying on guesswork as to where they are and where they are headed. And those guesses can be way off.

Plus, nonprofits are being buffeted about by enormous changes in the world of philanthropy, not the least of them stemming from the baby boomers' new approach to giving. Their parents largely believed in funding umbrella institutions like the United Way and Catholic Charities, which decided for them how the funds were to be spent. This was that generation's idea of saluting society for the benefits it had received. The baby boomers, by contrast, believe in making a difference personally. They want to choose for themselves the recipients of their donation and monitor the effects. Their parents usually called their giving "charity." The boomers prefer to call theirs "philanthropy."

There is a plethora of nonprofits in the United States, over 1.7 million in all, and they are often staffed by untrained volunteers who can be difficult to manage without financial inducements. The talent pool for paid management staff is shallow. Who do you know who made it his life's ambition to run a nonprofit? Not too many people, most likely. Compared to for-profit equivalents, the salaries are paltry, the status not much better, and precious few university programs offer these professionals any serious instruction. And the objectives are daunting: curing Alzheimer's disease, feeding the poor in Africa, developing new models for elementary school education.

Now into this jumble comes you, the neophyte donor, eager to make a difference with your money. Most likely, you have no