



# How to make an effective charitable gift

Follow this process to make an effective charitable gift

By **Thane Stenner, CIM, FCSI** – featured on *[fundlibrary.com](http://fundlibrary.com)* November, 2003

I've spoken a little about charitable giving in this column in the past ["What's your giving personality?" December 2002]. This month, I'd like to revisit the topic and talk a little more about the charitable giving process.

Notice the last word in that sentence: process. We don't typically think of charitable giving as a process – that is, as a structured, rational strategy that requires forethought and planning. Usually we think of it as a spontaneous event. A canvasser shows up at our door, or we see an ad on TV, or maybe we receive a letter from a charity in the mail, and we feel moved to donate a little to the cause. And for many of us, that's as complex as the giving process ever gets.

Nothing wrong with that, but if you're looking to make a more significant donation – either in terms of dollars or in terms of the impact of the gift on the cause – then it makes sense to think a little more seriously about the giving process. Because no matter how selfless the motivation behind it may be, a charitable gift is still a financial decision. As such, it needs to be considered carefully, with attention given to the purpose, to the structure, and to the financial implications of your intended gift.

And that, in a nutshell, is why you need to follow a process when you make a charitable gift. Allow me to describe to you what the process is.

## **Step 1: what are you trying to do?**

Before you make a significant charitable donation, you must first determine what the purpose of your gift will be. A good place to start is to consider the gifts you've made in the past – understanding why you gave in the past can give you a clue as to what kind of gifts you'd like to make in the future. After that, you'll want to ask yourself some questions about the causes that inspire you. Is there a specific organization that you'd like to support? Or would you like to donate to a number of different charities working towards a common goal? At what level would you like to make an impact: local, national, or international? Finally, consider the level of involvement you'd like with your gift. Are you looking for a personal, hands-on type of identification with your cause? Or is it enough to make an anonymous, behind-the-scenes gift? There are no "right" or "wrong" answers to these questions – it all depends on what you'd like to accomplish.

## **Step 2: articulate your giving values**

A company creates a statement of values to provide it with guidance and purpose. You should do the same for your charitable giving effort. You can make this statement as formal or as informal as you'd like, but it should cover three main areas:

- A core vision: a concise summary (2-3 sentences is usually enough) of the principles that have led you to give.
- An area of giving: A description of the types of causes or charities you'd like to support.

- **Criteria for selecting individual charities:** A brief outline of the criteria you will apply when deciding which organizations you'd like to donate to.

Once again, there are no right or wrong answers here. Rather, it's the process that counts: thinking about these values will help you narrow your giving choices and make it easier to target the right organizations.

### **Step 3: Screen potential charities and causes**

With your giving values in hand, you can now start screening potential charities. You may already have a few ideas about the general cause you want to support, but if you want to make sure your charitable dollars don't go to waste, you should screen any charity for the following:

- **Purpose:** what is the organization trying to do? Is this purpose focused and clearly articulated, or vague and undefined?
- **Method:** how does the organization intend to achieve its charitable goals? Does the organization have a strategic plan for accomplishing its goals in a reasonable time frame?
- **Management/leadership:** are board members active in the cause and passionate about what they're doing? Does the organization have enough staff to complete its charitable mandate?
- **Financials:** how does the organization attract donations? How much of those donations is directed to actual programs, and how much to operating costs or administration expenses?

Answering these questions should help you create a "shortlist" of charities. If you still find yourself with too many choices, I recommend contacting the organization and arranging for a face-to-face meeting with volunteers, staff, board members, or perhaps even those who have been assisted by the charity. This can be a great way to determine whether the organization is indeed a worthwhile cause.

### **Step 4: Consider the end use of the gift**

Finally, you need to think about where you want your money to go within the charity. Again, there are plenty of options. If you're not fussy about where your money goes, you can provide the organization with "unrestricted funds." These do not include any special instructions for use, and are particularly effective with organizations with a strong sense of purpose and well-respected management at the top. If you're looking to provide more specific support, consider the following options:

- **Operating expenses:** as the name suggests, these cover the daily expenses of running a charity: rent, utilities, office supplies, etc.
- **Program support:** program funds are donated to support or improve an existing charitable service.
- **Capital campaigns:** used to build new facilities or expand existing ones. Significant donors are often recognized formally through naming programs.
- **"Leadership gifts":** large donations intended to reward an organization for its accomplishments and motivate other private and corporate donors to give.

### **Step 5: seek qualified professional advice**

Now that you have a general understanding of what you're looking to accomplish with your charitable gift, you're ready to seek professional advice. Ideally, your financial advisor will be well-versed in charitable giving, and have qualified professionals on staff to take care of specific structural and taxation issues. With the right professional by your side, you'll be able to create a giving structure that ensures you get the most bang for your charitable buck.

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