



Giving Confidence

by Albert J. Mueller

Americans are the most generous people in the world. Although charitable giving in the U.S. dropped 2.7% from 2007 to 2008 and 3.2% from 2008 to 2009, individual Americans have not reduced their giving. The drop in giving reflects reduced corporate giving in 2008 and reduced foundation giving in 2009. These institutions pulled back on their philanthropy in the midst of the Great Recession while individual Americans continued to sacrifice with increased giving towards human services organizations.

Citizens of all income levels respond immediately and generously when they are convinced there is a true need. Donors first respond from their heart from their desire to help others in need. This emotional response generates a widespread outpouring of small gifts. The response following the 9/11 tragedy was staggering.

Over \$1 billion was given by private individuals within weeks of the tragedy. Within weeks the giving to help the families involved in the 9/11 attack dried up to a trickle. For individuals to continue giving or to respond with large gifts requires an intellectual as well as an emotional connection. It requires confidence on the part of the donor.

What does it take to give with confidence? How do we get past the skepticism that the money we give will not have the impact or produce the results we desire?

- Confidence requires verified information.
- Verified information requires effort by knowledgeable people
- Donors must become personally involved or hiring of people with expertise

To gain confidence there is no substitute for becoming personally educated and involved or

hiring people with expertise. Donors who do not want to pay the price of personal involvement or the expense of hiring professionals can default to giving numerous small gifts to the many organizations that request funding. Defaulting to this option robs donors of making a significant impact or focusing on issues that they view as most important.

Donors that are emotionally connected to the organizations they support (colleges, hospitals, churches) often have unanswered questions about the use of their funds. They are hesitant to ask questions to erase their doubts for fear of coming across as prying, telling the organization how to operate or lacking trust in the senior leadership. These individuals lack confidence but choose to give anyway and hope for the best.

If the gift is used to fund a capital project, the donor can see some tangible result and therefore believes that his gift wasn't wasted. Gifts to fund general operations are another. One of the largest gifts in U.S. history was \$1 billion given by Walter Annenberg to improve education in public schools. Sadly, a follow-up study conducted by the Annenberg foundation, stated that there had been "no measurable impact on the quality of public education as a result of the \$1 billion gift."

When a family has invested time and resources in carefully evaluating organizations, they can increase their confidence further by structuring their gift well. The donor or his representative should meet with the recipient before the gift is given to define reporting benchmarks and the measurements for "success."

The Bass Brothers requested that Yale University return a significant portion of a \$20 million dollar gift due to a disagreement with the university. Yale University chose to return the money rather than

comply with the wishes of the Bass family. A poorly structured gift can leave a bad taste in the mouth of both the giver and the organization receiving the funds. The recipient **should** agree in writing to report specific information on predetermined dates. Donors making multi-year grants can make this reporting a requirement for additional funding.

Setting these reporting expectations in advance and in writing, removes any doubt about what the donor expects from his or her gift. Both the donor and the recipient have agreed on what constitutes "success." The donor expects the organization to make every effort to accomplish the agreed objective but understands that "success" is never guaranteed. The donor does have the right to receive an explanation when the recipients fall short of achieving the agreed goals in the specified timeframe.

Many individual investors have become aware of the need to monitor and evaluate the performance of their portfolios. Investment consultants such as Beacon Pointe Advisors provide valuable insights into the true performance of financial portfolios. In a similar manner, philanthropists are realizing the benefits of measuring the impact of their charitable giving. Being able to give confidently and maximize the value of each charitable dollar is the goal of an increasing number of high capacity donors who want to understand the true impact of the charitable portfolios.

The people of our nation benefit significantly from generous givers. As Winston Churchill said: "You make a living by what you make, you make a life by what you give". The only thing better than being a generous giver is being an informed, generous giver with confidence. Being confident in your giving involves time and expertise. However, confidence is the key to a donor experiencing the joy of generosity.



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