Charitable giving continues to be a victim of recession

Allison Linn CNBC
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People line up for food at a distribution point by the Food Bank of the Southern Tier Mobile Food Pantry on June 19, 2012. Adjusted for inflation, total giving to all U.S. charities is still below 2007 levels.

The amount of money donated to charity has been inching up in recent years, but a new report finds that Americans still aren’t giving as generously as they were before the recession began.

U.S. giving to charities totaled $316.23 billion in 2012, according to a report prepared by the Lilly Family School of Philanthropy at Indiana University and released this week by Giving USA.

After adjusting for inflation, that’s a 1.5 percent increase from 2011 - but an 8 percent decline from 2007, the year the nation went into recession. The figures are in 2012 dollars.
The recession officially ended in 2009, but the economic recovery has been slow and unstable in the years since. Experts say that has meant that Americans across the economic spectrum have been hesitant to return to their pre-recession giving levels.

Patrick Rooney, the associate dean of Indiana University’s school of philanthropy, said he thinks Americans still value giving to charity as much as in the past – but they just may not have as much to give.

“Although I think it remains a core American value, it is positively and negatively affected by the business cycle,” he said.

Of course, this business cycle has been particularly nasty – and that’s also meant that some charities have needed donations more than ever.

Before the economy began to falter, many people didn’t seem to even be aware that there were people going hungry in the United States, said Ross Fraser, media relations manager for Feeding America, a nationwide network of food banks.

Then the recession made hunger front page news. The headlines helped bring in donations to Feeding America, bucking the overall national trend. Fraser said Feeding America’s fundraising has been steady and growing since the recession began – but so has the need.

“We don’t have lots of extra food. We’re giving out every crumb of food that we bring in,” he said.

It’s common for overall giving to decline in a recession, but Rooney said it usually only takes a couple of years for giving to return to pre-recession levels. This time around, he said it could take another six or seven years to get back to the levels seen in 2007.

The majority of American philanthropic contributions come from individuals, and experts say both wealthy and less affluent individuals have had reason to cut back on giving in recent years.

Most Americans may not have the money to give because they lost a job, saw their housing wealth evaporate or suffered another kind of financial setback.

Others may have watched friends and family go through a job loss or foreclosure, and are now worried that the same thing could happen to them.
Wealthy donors, in turn, may have cut back on their giving when the stock market declined and housing bust left them with less wealth.

A separate report from Indiana University’s philanthropy school showed that both the number and value of publicly announced gifts of $1 million or more fell after the recession began.

"It's improving, but it's not where it was," Rooney said.

Even when the market started to recover, wealthy Americans may not have had the ability to easily sell a piece of real estate or big investment holding in order to fund a big gift, said Paul Schervish, director of Boston College’s Center on Wealth and Philanthropy.

Rooney said some donors also may not have given big gifts last year because they were worried about how the fiscal cliff negotiations over tax rates for the wealthy would play out. Now, they may be hesitant because they aren’t sure the stock market’s recent gains will last.

“Uncertainty is kind of the enemy of the philanthropic sector,” Rooney said.

Despite the tough past few years, Boston College’s Schervish is optimistic that overall giving will pick up in the years and decades to come. He sees positive signs especially among the very wealthy, citing people such as Bill Gates and Warren Buffett who have pledged to give much of their wealth to charity.

“I think people are inclined to give, (and) the wealthy are more and more inclined to give,” he said.

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