A financial guide to giving: How to make the most of your donated dollars

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By: Sherri Richards, INFORUM

FARGO - It’s the time of year when generous souls make year-end charitable contributions. Some may plan their 2013 gifts, perhaps filling out pledge cards at church or including donations in their budgeting.

By giving thoughtfully, donors can make the most of their charitable dollars.

North Dakotans have money to give. From 2007 to 2061, an estimated 220,121 households in the state will transfer nearly $309 billion to families, heirs, charities, estate taxes and fees, according to a study conducted by Boston College’s Center on Wealth and Philanthropy.

It’s a study Impact Foundation and Dakota Medical Foundation use to illustrate the importance of effective fundraising and the sheer potential for nonprofit organizations. The estimated charitable giving during that timeframe is more than $95 billion.

Not all accounts paint North Dakotans as a generous lot, though. In a recent issue of World Ark, the magazine of nonprofit Heifer International, North Dakota was ranked as one of the least-charitable states with an average donation of $672 per taxpayer. The article “Who Cares? A look at charitable giving” cited The Urban Institute, which used IRS data to compile the rankings.

North Dakota ranked below the national average for percent of income given, 3.5 percent compared to 4.1 percent, in a special report by The Chronicle of Philanthropy.

But Pat Traynor, president of Dakota Medical Foundation and Impact Foundation, disagrees with these sorts of national comparisons. He says one reason is many North Dakotans don’t itemize their taxes, meaning their charitable gifts aren’t reflected in IRS data.

He knows the generosity. He’s seen it.

What and where to give

Paul Holten, a financial representative for Thrivent Financial for Lutherans, always asks clients about their plans for giving. But he says people need to take care of their financial needs before giving to others.

“They want to have their own budget covered, and their expenses coming up in the future,” such as children’s education expenses, a down payment on a home, and retirement, he says.

Then, they need to choose the appropriate charity. Holten recommends looking for a familiar organization that has a local presence.

Donors can evaluate nonprofits on websites such as GuideStar.org or CharityNavigator.org. Traynor suggests using ImpactGiveBack.org because it offers snapshots of local groups, as well as their volunteer opportunities.

Amid endless pleas for donations, Traynor says donors need to decide in advance what causes they want to support.

“It’s from their heart. What will make me the most fulfilled in my giving?” Traynor says. “You need to take the time to discern what’s most significant to you.”

This is a matter of personal values and passions. It can be a generational decision, Traynor says.

Making one or two significant gifts in these focused areas of importance are more impactful and fulfilling than 30 small donations, he says. Donors can politely decline to donate to other causes by saying they are focusing their giving.

How to give

The best way to give isn’t necessarily writing a check, Holten says.

“You can give a dollar that doesn’t cost a dollar,” he says.

Holten encourages donors to look at their appreciated assets for potential gifts. This could include stocks, bonds, commodities or land.

The donor is able to take a deduction on the entire gift (even though she paid less for the asset), and does not need to pay capital gains on the growth, he says.

Deferred gifts, such as a charitable gift annuity or charitable remainder trust, are ways to give significant assets instead of leaving them through a bequest in a will.

The beneficiary donates the gift today, receives a tax deduction now and an income from it for the rest of their lifetime.

“ ‘Give while you live’ is the new mantra,” Traynor says.

More tax incentives
Any donation to a 501c3 organization can be deducted, reducing your federal taxable income. However, the taxpayer must itemize her tax return.

North Dakota residents can also receive a tax credit toward their state bill through the Planned Gift and Endowment Credit.

The credit was established in 2007, but a change by the 2011 Legislature made it easier for individuals to give a cash gift instead of the gift coming through a planned instrument such as a trust, says Cory Fong, tax commissioner.

The gift must total at least $5,000 in the calendar year and be given to “qualified endowment.” The endowment must be a permanent, irrevocable fund for religious, educational or other charitable purpose. The nonprofit that holds the endowment must be a tax-exempt charitable organization with a physical presence in North Dakota.

The taxpayer can apply 40 percent of the gift to their state tax liability, with a maximum credit of $10,000 for individuals and $20,000 for couples. Any remainder can be carried forward up to three tax years.

With the change in law, the credit was applied on 239 tax returns in 2011, totaling more than $1.2 million in credits. That would equal more than $3.1 million in endowment gifts.

“There are a lot of opportunities to provide some real assistance to organizations that have endowments … carrying on a legacy and getting benefits at the same time,” Fong says.

For taxpayers wanting to reduce their state tax bill further, Fong also recommends the Housing Incentive Fund. The fund, administered through the North Dakota Housing and Finance Agency, is designed to support the development of affordable rental housing. Taxpayers contributing to the fund receive a dollar-for-dollar state tax credit, though no federal deduction.

Leverage your gifts

In addition to tax incentives, donors can make the most of their giving by leveraging the money they donate. One simple value-added tactic is to pose a match challenge to the organization, Traynor says.

Donors can also create leverage by donating their expertise or the credibility of their name along with a financial gift, he says.

Traynor says donors should expect outcomes and define success for the organizations they support. Attack a specific problem, in a particular place, and demand excellence, he says.

“At the end of the day it’s the impact,” Traynor says. “What’s the most good I can generate that will give the greatest fulfillment.”

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