

# A PIECE OF MIND

2<sup>nd</sup> Edition 2020

## NONPROFIT GIVING CHOOSING THE “RIGHT” CHARITY

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Whether you're returning a lost dog to its owner, dishing out food to the homeless on Thanksgiving, or giving money to a charity you find worthy, most of us want to make a difference.

The drive to help other living beings might be human nature. It might be birthed by religious influence. It might be ego driven. It could even be ingrained deeper in our DNA. After all, altruism has been shown in many social animals, from honeybees to chimpanzees. Whatever the reason, doing good feels great.



But how do we help? Arguably one of the easiest ways is through financial means. Donating to your favorite cause can give you that positive boost and earn you tax advantages. But, how to choose where to put your money?

There are several schools of thought on donations. One is Effective Altruism.

Effective Altruism argues that you should choose charities that do the most good—getting the biggest bang for your buck, so to speak—as opposed to doing some smaller good which might feel good or appeal to you personally. (For example, the difference between giving one blind man a seeing eye dog and spending the same amount to prevent blindness in ten children in an impoverished country.)

Others see this school of thought as elitist. They argue that feelings, not analytical thinking, drive donations. One study even showed that “sympathy and aid-giving are often irrational!” Identifiable victims—charities with a face such as Jessica, the child who fell down a well in 1987—move donors more than abstract statistical victims.

Regardless of which school of thought you follow, researching where your donations go is always a good idea. We examined eight popular sites (though many others exist) to give you the run down on how they operate.

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We've broken these sites down into three categories to make this guide easier to navigate. Each category is indicated by an icon. **The site's name and slogan are listed to the right of the icon, as well as any rating systems they might have.**



**FACT-BASED:**  
Presenting data without interpretation or rating



**EFFECTIVE ALTRUISM-SLANTED:**  
Focused on the biggest bang for your buck



**FEELING-DRIVEN:**  
Rated data to help you follow your heart



**CHARITY NAVIGATOR**  
**YOUR GUIDE TO INTELLIGENT GIVING**  
[www.charitynavigator.org](http://www.charitynavigator.org)

### *NUMBER AND STAR RATINGS.*

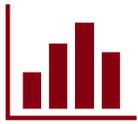
Charity Navigator was founded in 2001 and is one of the nation's largest evaluators of charities. They have information on 1.6 million non-profits in the U.S.. However, they have only assessed over 9,000 of these charities. In order to be rated by Charity Navigator they must meet a list of criteria, including revenue and length of operation. If a charity hasn't met these requirements and isn't rated yet, they offer a guide on how to do your own sleuthing.

Charity Navigator uses two broad areas to evaluate a charity's operations: financial health and accountability & transparency. Financial information is gathered from tax returns and analyzed in seven key areas. For accountability & transparency, they use information from their tax return and the charity website and score across seventeen different metrics. These numbers are then tallied and a score and rating are given. A perfect score is 100 points, "Exceptional", and four stars.

Beyond the raw score, this site also provides a few pieces of information to help provide a more detailed picture. They list how much the CEO is paid, the charity's income statement, and their mission.

At this point, Charity Navigator reflects its creator's belief that donors should be informed of their donations but should support whatever field or cause they choose. The site does not put any great emphasis on impact of donations. Though, in 2017, they added third-party impact statements for many charities. This information is provided by one of four partners: GuideStar, GlobalGiving, Classy, or ImpactMatters.

Charity Navigator also offers a "Giving Basket" tool. This allows you to donate to multiple charities at once, set up recurring donations, and get one tax receipt.



**GUIDESTAR**  
**BETTER DATA. BETTER**  
**DECISIONS. BETTER WORLD.**  
[www.guidestar.org](http://www.guidestar.org)

*GUIDESTAR SEAL OF TRANSPARENCY:  
 BRONZE, SILVER, GOLD, OR PLATINUM,  
 AWARDED FOR COMPLETENESS OF  
 PROFILE.*

Formed in 1994, GuideStar started publishing their reports on CD-ROM. They've only grown since then. With a library of over 2.7 million nonprofits and an average of 26 million searches, donors can explore charities and the issues they want to support. Think of GuideStar as the Zillow or Yelp for nonprofits. While you can see financial and operations data, GuideStar is really only a directory. There is no rating or evaluation system. Their highest level Seal of Transparency only addresses the completeness of the nonprofit's profile.

Use this site to find charities based on geographic area, organization (field), or financials. A premium membership is available but the cost is steep at a minimum of \$183 a month for a single user.



**GIVEWELL**  
**SEARCHING FOR**  
**CHARITIES THAT SAVE OR**  
**IMPROVE LIVES THE MOST**  
**PER DOLLAR.**  
[www.givewell.org](http://www.givewell.org)

*ONLY TOP CHARITIES IDENTIFIED  
 USING STRICT CRITERIA ARE LISTED.*

GiveWell identifies and vets charities along four main criteria: effectiveness, cost-effectiveness, room for more funding, and transparency. They focus on finding the most outstanding charities along these criteria rather than in-depth investigations for each organization. They put greater emphasis on how much good a given program does per

dollar spent. Their charities only work in global health and development overseas.

You can make a donation to be distributed to their recommended charities at their discretion or choose from a small list of the current top charities. (At the time of this article there are seven listed on the site.)



**EFFECTIVE ALTRUISM**  
**FUND**  
**DONATE MORE EFFECTIVELY**  
**THROUGH PHILANTHROPIC**  
**FUNDS.**  
[app.effectivealtruism.org](http://app.effectivealtruism.org)

*RISK RATING AND FUND BUCKETS.*

Launched in 2017, Effective Altruism Fund (EA Fund) was created by Centre for Effective Altruism. This charity cherry-picker operates like a mutual fund. You choose buckets to direct your donations for more effective work in one, or any combination, of four areas: Global Health and Development, Animal Welfare, Long-Term Future, Effective Altruism Meta.

The fund then pools donations together with hundreds of others and the fund manager finds high-impact organizations to make grants to. While the organizations are not ranked on the site, the funds are ranked by risk: low-risk, medium-risk, and high-risk. The higher the risk, the less certain the impact. For example, high-risk grants have a low certainty of success but the potential for high upside. The fund managers also evaluate prospective grants using conceptual models outlined in detail.



## **GLOBALGIVING DONATE TO CHARITY PROJECTS AROUND THE WORLD.**

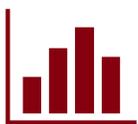
[www.globalgiving.org](http://www.globalgiving.org)

*PROVIDES THE FACTS AND BORROWS  
RANKINGS FROM OTHER SITES.*

Founded in 2002, GlobalGiving is the largest global crowdfunding community. Nonprofits apply to join the organization, then donors and companies can help them. All nonprofits in the community are fully vetted every two years by the organization to ensure they are transparent, accountable, and meet local requirements.

Each charity or fund is listed, as well as the goal. If they are ranked, evaluated, or accredited by another organization, that information is provided at the bottom of the listing. They also list when they were first vetted, if they are effective, and if a staff member has visited the site to verify the operation. Once you find a charity or fund you like, you donate directly through the site.

## **BBB WISE GIVING ALLIANCE**



**TO ENCOURAGE GREATER  
PUBLIC CONFIDENCE AND  
TRUST IN THE CHARITABLE  
SECTOR.**

[www.give.org](http://www.give.org)

*PASS/FAIL IN 20 STANDARDS.  
ACCREDITATION SEAL AVAILABLE FOR  
CHARITIES THAT PASS ALL STANDARDS.*

BBB Wise Giving Alliance helps you make informed donation decisions by producing reports on national charities and evaluating them against 20 standards. Each standard is given a "Standard is Met", "Standard is Not Met", or "Unable to Verify Status".

The first five standards BBB evaluates are about governance and oversight. The next two look at how they define and measure goals and effectiveness. The next seven look at their finances and the final six at fundraising and information (such as annual reporting.)



## **ANIMAL CHARITY EVALUATORS**

**TO FIND AND PROMOTE  
THE MOST EFFECTIVE  
WAYS TO HELP ANIMALS.**

[animalcharityevaluators.org](http://animalcharityevaluators.org)

*REVIEWS AND RECOMMENDATIONS.*

Animal Charity Evaluators (ACE) began under the name Effective Animal Activism in 2012. They are part of the Centre for Effective Altruism and were founded to help those looking to give effectively to animal-related nonprofits. Their mission has evolved over the years, but today they find and promote the most effective ways to help animals in three areas: research, education, and fundraising.

The site provides lists of animal charities with reviews of varying depths which are clearly marked as comprehensive, exploratory, or basic consideration. They list recommended, top, and standout charities across 11 areas including: shelter and sanctuaries, general animal advocacy, veterinary, and others. You can donate to ACE directly, their recommended charity fund, ACE's top charities, or to ACE's Effective Animal Advocacy Fund directly on the site.



**IMPACTMATTERS**  
**FIND HIGH-IMPACT NONPROFITS.**  
www.impactmatters.org

### *STAR RATING FOR COST-EFFECTIVENESS.*

ImpactMatters is a tool to search and find nonprofits. They rate their charities based on one critical question: How will a donation directly improve a life? They answer that question based on three principles, reward impact, don't punish a charity because of their overhead, and support nonprofits. Put simply, how many meals served/lives saved are directly caused by your donation.

They assign a star-rating system for their charities based on their cost-effectiveness with 1 being the programs that may be mismanaged and 5 the programs that are highly cost-effective. They only compare nonprofits within the same cause, who report the data needed to calculate impact, and only in "service delivery"—nonprofits that deliver a program directly to people. They do not rate advocacy or research nonprofits.

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## Head or Heart, Give Smart

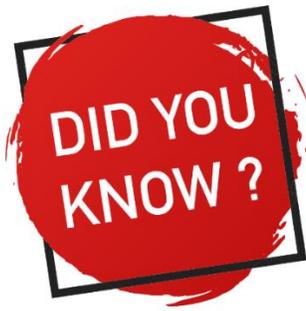
For as many reasons as there are to help others through donations, there are just as many organizations to support. Whichever ideal speaks to you, we urge you to do a little research first.

If supporting nonprofits is important to you, Tiffany, our financial planner, can build charitable gifting into your financial plan. Your Custom Financial Blueprint can include philanthropy as one of your financial goals. In addition to helping you determine how much you can give, Tiffany can also help you find the most beneficial ways to make your donations.

For example, one method might be a Qualified Charitable Distribution (QCD) from an IRA. A QCD is a distribution from the retirement account of an individual who is at least 70 ½ and is made directly to a charity. Another method might be a Donor Advised Fund through Charles Schwab. We can help you determine if either of these options would be right for you.

Did you miss our **CollegeChoice 529 e-Learning Event?**  
Catch the recording and learn about 529 programs here:

**[HTTPS://WWW.HFFINANCIAL.COM/CC529/](https://www.hffinancial.com/cc529/)**



# WHAT YOU NEED TO KNOW ABOUT THE CARES ACT

On Friday, March 27<sup>th</sup>, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The roughly \$2 trillion response bill is intended to help keep individuals and businesses going during this trying time.

We wanted to point out a few aspects that might impact you:

1. Checks are going out to individuals:
  - Individuals
    - i. Earning up to \$75,000/year will be eligible for \$1,200
    - ii. Earning up to \$99,000/year will be eligible for a reduced check
      - For every \$100 above \$75,000/year, the payment is reduced \$5
  - Married couples
    - i. Earning under \$150,000/year will be eligible for \$2,400
    - ii. Earning up to \$198,000/year will be eligible for a reduced check (on a sliding scale)
  - Parents to children under 17 will receive an additional \$500 for every child (based on 2018 or 2019 tax filings)
2. The tax penalty for premature distributions up to \$100,00 from qualified retirement accounts has been waived for 2020 for “coronavirus-related” withdrawals. Regular taxes on these withdrawals can be paid over three years and funds may be put back within three years regardless of contribution limits.
3. Required Minimum Distributions (RMDs) are waived for certain retirement plans and IRAs, including inherited IRAs, for 2020.
  - For a participant who turned 70½ in 2019 but has not taken a distribution yet, no RMD is required for 2019 or 2020.
4. For taxpayers who do not itemize, deductions have been expanded to a maximum of \$300 of charitable contributions.

If you'd like to see how we can help you, book your free 15-minute call with us here:

<https://www.hffinancial.com/refer-call/>