

Giving it away

Recent headlines about Bill Gates and Warren Buffet giving away substantial amounts of their fortunes have made philanthropy a hot topic. [Simon Philip](#) at Deloitte and [Nigel Harris](#) at NPC explain how to put your money where it can do the most good.

Imagine purchasing a house. You will want to look at plenty of sale particulars, visit several properties and commission a detailed structural survey on the best choice. Alternatively, consider making a financial investment. Independent consultants will queue up to advise you. Information on the financial returns of a variety of assets (such as bonds, equities and property) is freely available, you will receive performance updates and, if so inclined, you can check the price of your investments on a real-time basis.

Now, say you wish to give to charity, for a social rather than financial return, to make a difference for good in the lives of others. Taking a similarly structured approach to giving can make the experience much more rewarding and ensure that your donations make as great an impact as possible.

We need only look around to see constant examples of how charities can change the world. Both the hospice movement, providing care for the terminally ill, and the refuge movement, providing safe havens for those suffering from domestic abuse, were created by the charitable sector.

Making your donation count

With over 180,000 charities in the UK alone, it can be difficult to know which to support. There is a big difference in both the goals each charity pursues and the level of effectiveness each achieves. Given this complexity, you might assume there would be volumes of independent information available to allow donors to make informed decisions. However, it is not always easy to find out which charities are really making a difference.

Recent debates in the media on administration costs add to the level of confusion. It is not really possible to draw conclusions about a charity's effectiveness from its reports and accounts. However, because it is often difficult to get other information, it can be tempting to prioritise this source. Yet looking at a charity's administration or fundraising costs is unlikely to tell you much about the actual work that it does.

What a donor really needs to know is the effectiveness of the charity in achieving its charitable objectives. After all, would you decide to buy shares based on an analysis of the costs of the HR departments or the size of the marketing budgets of the companies involved?

Once you have made some decisions about the type of charity you wish to support, spending time examining the charities that interest you and doing 'due diligence' before donating can give you greater confidence that your money will be effectively applied. You may find that you have more options or can make more of a difference than you might imagine.

Giving effectively is not a new challenge, as Aristotle pointed out: 'To give away money is an easy matter and in any man's power. But to decide to whom to give it, and how large, and when, and for what purpose and how, is neither in every man's power nor an easy matter.'

However, breaking the task into logical steps can assist the process and help you make a more informed decision.

Deciding how much

Identifying the amount available to give is a sensible first step, but one which immediately throws up questions about what you can afford and how you would like to structure your donation. The amount you devote can be determined by several considerations:

TAKING A STRUCTURED APPROACH TO GIVING CAN MAKE THE EXPERIENCE MUCH MORE REWARDING AND ENSURE THAT YOUR DONATIONS MAKE AS GREAT AN IMPACT AS POSSIBLE.

You could make a difference by supporting education programmes in developing countries

THE DONATING GAME

1. How do you balance potential impact against risk?

If you wish to give money to charities that support disabled children, you could decide to fund a project that will immediately make a difference to children or focus on a service that may help improve their long-term prospects.

2. Do you want to focus on helping individuals or making changes in society?

If you are interested in supporting the efforts to tackle HIV/AIDS in Africa, you could choose to focus on the medical treatment of individuals or alternatively look at organisations that seek to educate the population on prevention.

3. Would you like to focus on local projects or national approaches?

If you are interested in supporting cancer treatment and care, your money could be used to support a local hospice or offer national support and information to people with, or affected by, cancer.

4. Do you wish to fund new projects or sustain existing initiatives?

If your interest is in helping older people, for example, there are excellent, well-established charities and projects for this section of society. On the other hand, you may want to set something up on your own, such as funding a residential home.



Big gestures: Warren Buffet is donating some \$37bn to charity, around 80 per cent of which is going to the Bill & Melinda Gates Foundation



- A fixed amount of gross or net annual income
- A particular sum, either annually or as a one-off
- A proportion of disposable income after essential spending
- Ad hoc amounts determined by your financial fortunes at a particular time or your recognition of a pressing need

It is unlikely that this question can be answered robustly without doing some rudimentary budgeting and cash flow projections. You are making a decision to permanently disassociate yourself from the income or assets given, and therefore affordability will be an issue.

It may also be the case that your analysis reveals that you have the capacity to be more generous without compromising your living standards or storing financial problems for the future.

While you may wish to set a giving budget as part of the charity component of your financial affairs, you might also be stimulated to think about making a donation as a result of a situation that occurs or opportunities that you are made aware of.

The budgeting and projections exercise is still valid in the latter case, as it enables gifts to be placed in the context of the impact they will have on your financial affairs. This will hopefully lead to the gift being appropriate and avoid the 'have I given too much (or too little)?' question arising.

Working out a strategy

Creating a giving strategy will help you to define your objectives and preferences. You can ask yourself the following questions:

- What do I want my donations to achieve and how should they reflect my values?
- How would I like my family to be involved in decisions and the management of my giving?
- Are there specific causes or geographies that I want to support?
- Which of the various types of charities or charitable activities do I wish to support?

Deciding who to help

The next step is to select which charities to give to. A starting point might be to review the available data on different charities. The aim of this research is to understand what can be achieved with your money and how this fits with your giving strategy; it should not be about comparing the charities' administration costs.

Research will help you to understand what results charities achieve, what needs they have for further funding and how your support could best fill these gaps. Detailed sector and charity research, providing insights into particular issues, is available from organisations such as New Philanthropy Capital (NPC).

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Creating results

The final step is to identify how best to support each of the chosen charities. This involves a number of tactical decisions on how to set up your donation.

First, you need to think about how to structure your commitment. A smaller, but longer-term, commitment is often more helpful, as it allows a charity to plan more effectively. Also, there is often merit in giving the charity's management some flexibility in how they spend your funds rather than tying it to a specific project or purpose.

A system of regular reporting and personal interaction can benefit both you and the charity. It ensures a focus on making best use of the money and on celebrating what is achieved. It will also help inform your future decisions.

Some donors choose to remain at a distance, but there are opportunities to visit front-line projects or even to volunteer at many charities. Some organisations can benefit as much from your expertise and advice as from your money. The level of ongoing involvement will depend on both your own preferences and the nature of the organisation that you choose to support.

Finally, there are various options on how you manage your portfolio of donations. In the past, many individuals chose to set up family foundations, but there are now more alternatives, such as outsourcing the management to an independent expert. The process and depth with which you think through each of these steps is a very individual choice.

Choosing a charity

Part of the challenge is not just picking effective and reputable organisations, but also deciding what sort of impact and changes you are hoping to achieve. Different charities have different objectives, so when you are thinking of making a donation there are some criteria to consider (see box, p10).

However, you may also want to support a portfolio of different approaches. It is clear that if the charities you support are in line with your personal preferences and aspirations, the chances of having a more rewarding experience and greater sense of achievement are considerably enhanced. There is so much choice available that a giving strategy is almost a prerequisite to obtaining maximum satisfaction from your donations. ■

Authors

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