

# Financial fitness

CHARITABLE GIVING:  
Planning to Make a Difference

Source: Scott Morrison / Morrison Nordmann & Associates / Securities America

Despite economic hardship, giving remains a core American value. In 2010, American donors gave more than \$290 billion to charities, and our country consistently leads the world in charitable contributions.<sup>1</sup>

Though many Americans give generously to charity, the majority donate through “checkbook philanthropy,” writing checks or giving small cash donations to a variety of charities – often in response to solicitations. While every gift makes a difference, regardless of the size, taking such a spontaneous approach is often not in the best interest of the donor or the charity.<sup>2</sup>

Through planned giving, donors take a more deliberate approach to giving that considers their personal values, select the non-profits and gift-giving methods that best honor those values, and maximize the financial and tax benefits of their gifts.<sup>2</sup>

## EVALUATING CHARITABLE CAUSES

Before you donate, take some time to be proactive and intentional about your giving. To create a charitable giving plan, give some thought to these questions:

- What causes are important to you and your family?
- What are your specific goals for giving? What changes would you like to affect?
- How much do you want to give?
- How much involvement do you want to have with the charity?
- Is maximizing tax benefits an important consideration?
- Would you like to make charitable provisions in your estate?

Once you create a short list of potential charities, contact them and ask each for a copy of last year’s audit findings. The report may be more detail than you need; but it goes to show that the agency performs yearly audits, and they are willing to share financial information. The most efficient charities are able to grow their revenue at or above the rate of inflation, continue investing in their programs and save some funds for lean times.<sup>3</sup> Look for evidence that the organization is actively reviewing and improving its practices.

## REDUCING INCOME TAXES

Your cash gift to a qualified nonprofit may entitle you to a charitable contribution deduction on your income taxes. If you’re in the 33% tax bracket, the actual cost of a \$100 donation is \$67 (\$100 less the \$33 in tax savings). The real cost of a charitable contribution decreases as the income tax bracket increases, providing the wealthy with the most incentive to donate. There are

limits to how much you can deduct, but the limits are very high. If you contribute to a public charity, your deduction maximum is 50% of your adjusted gross income.<sup>4</sup>

## MAKING A DIFFERENCE

Charities need monetary donations to do their good work, but they also need willing volunteers. Plus, volunteering with an organization is a great way to familiarize yourself with an organization’s programs.

As we approach the season of gratitude, consider giving your time or resources to help your community or a cause that’s close to your heart.

Sources: 1) GivingUSAreports.com, GivingUSA 2011 – Executive Summary 2) The Financial Planning Association, “The Benefits of Planned Charitable Giving.” May 2009. 3) GoodIntents.org, “Bad Donor Advice Perpetuates Bad Aid Practices,” May 2009. 4) GuideStar.org, “Tips for Choosing a Charity.”

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