

Making Your Charitable Giving Go Farther

There are many charities in the United States competing for your money. Unfortunately, it is estimated that as much as \$2 billion intended for charitable giving may end up in the pockets of fraudulent solicitors. To prevent this, consumers should carefully check out charitable organizations before they donate. With more than half a million federally recognized charities soliciting your contributions, the Federal Trade Commission warns, “it pays to be cautious when making a donation.”



Many fraudulent solicitors are very crafty and will play on your emotions. Your good intentions are not enough! You must listen closely to what the person is

saying and be alert for warning signs. Following is a list of common-sense precautions, adapted from a Federal Trade Commission publication, that consumers should keep in mind whenever they want (or are asked) to give.

- *Ask for written information, including the charity’s name, address, and telephone number.* A legitimate charity or fund-raiser will give you materials outlining the charity’s mission, how your donation will be used, and proof that your contribution is tax deductible.
- *Call the charity.* Find out if the organization is aware of the solicitation and has authorized the use of its name. If not, you may be dealing with a fraudulent solicitor.
- *Know the difference between “tax exempt” and “tax deductible.”* Tax exempt means the organization doesn’t have to pay taxes. Tax deductible means you can deduct your contribution on your federal income tax

return. Even though an organization is tax exempt, your contribution may not be tax deductible. If deductibility is important to you, ask for a receipt showing the amount of your contribution and stating that it is tax deductible.

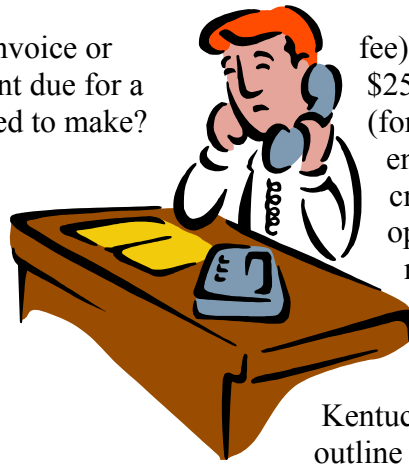
- *Refuse high pressure appeals.* Legitimate fund-raisers won’t push you to give on the spot.
- *Avoid cash gifts that can be lost or stolen.* For security and tax record purposes, it’s best to pay by check. Use the full official name of the charity—not initials—on your check.

The Kentucky Attorney General’s office suggests a few “red flags” to watch out for when dealing with charitable organizations.



- ▶ Did the organization refuse to answer your questions or to send you written material or financial information?
- ▶ Did the caller offer to send a courier to collect your contribution? (Don’t automatically assume a charity is fraudulent if it does this, as some legitimate solicitors do send couriers. Consumers should be aware, however, that this is a practice of many fraudulent charities.)

- ▶ Did the charity send you an invoice or statement indicating a payment due for a contribution you never pledged to make?
- ▶ Does the organization's name and logo closely resemble a well-known charity with a similar charitable purpose?



fee). The solicitors must also post a bond of \$25,000 and submit to a background check (for which they are assessed a small fee) to ensure that they have not been convicted of crimes involving dishonesty. Solicitors operating in Kentucky without proper registration are subject to civil penalties of \$2,000 per violation and Class D Criminal penalties (one to five years in prison). An important resource available to Kentucky consumers is the Attorney General's outline database of charities and professional solicitors. It is located on the Kentucky Attorney General's Web site:

<http://ag.ky.gov/cp/active.htm>

Professional Solicitors

Many charitable organizations use professional solicitors to solicit funds. The solicitors give a specified amount to the charity they are soliciting for and the rest goes to salaries of paid solicitors and other operation costs. This is perfectly legal, yet some professional fund-raising organizations keep an exceptionally large percentage of the donated money. For example, in 2003, according to the Kentucky Attorney General's Office, Factor Direct LTD., a paid solicitor, was collecting for the American Cancer Society, which received 1 cent for every \$1 donated.

Under Kentucky law, professional solicitors are required to tell you when they call that they are paid fund-raisers. Solicitors often ignore this law, so it is up to you to ask if they are working directly for the charity or for a professional fund-raising organization. Solicitors are also required to tell you what percentage of the money you give will end up with the charity and how much goes toward fund-raising costs, *but only if you ask*. What levels are acceptable to you is a personal decision, but, before you give, ask yourself if you really want to give money to a charity that spends more than 20 percent of your contributions on fund-raising and administrative costs. Knowing where your money goes probably will affect your decision on whether to contribute to a particular organization.

All professional solicitors engaged in active campaigns for charities in Kentucky are required to register with the Attorney General and pay a \$300 registration fee (consultants must pay a \$50

The following is a rare case in which 100 percent of the money donated went directly to the cause, with none going to the solicitor or for administrative costs:



In the days following the tragedy of September 11, 2001, former President Bill Clinton and former Senator Bob Dole teamed up to lead a campaign to raise \$100 million for Families of Freedom scholarships for the children and spouses of those who were killed or disabled in the attacks. Within a year of the attacks, Clinton and Dole reached their fund-raising goal.

Tragedy

Tragedies such as Hurricanes Katrina and Rita and other natural disasters, the attacks of September 11, 2001, and periods of armed conflict tend to bring out the best in the American people. They are moved to give generously and to sacrifice for those who have experienced loss or hardship. The outpouring of goodwill and caring has been one of the few bright spots during these and other difficult times. However, not all intentions are good and honorable; scammers abound at times like these, so it is doubly important to keep the previously mentioned rules uppermost in your mind. Here are a few more suggestions that pertain specifically to these tragedies:



- ▶ Be careful of Internet scammers sending out calls for assistance for families in need. It is a good policy to not respond to e-mails soliciting charitable contributions.
- ▶ Beware of organizations that say they will direct your contribution to the Red Cross. If you wish to contribute money to the Red Cross, go directly to its Web site or to a local chapter. The Web address for the Red Cross is <http://www.redcross.org>. You can also donate by phone at (800) 435-7669 (English speaking), (800) 257-7575 (Spanish speaking), or (800) 220-4095 for TDD Operator.

Hurricanes Katrina and Rita: How to Give to the Right Charities:

Many well-known national organizations have established special campaigns that will gratefully accept your contributions for victims of Hurricane Katrina. Unfortunately, many Americans also are being victimized by con artists who are taking advantage of the emotions of the moment to solicit funds for fraudulent charities that do not exist.

In numerous media reports, FBI Assistant Director Louis M. Reigel said there are 2,300 Katrina charity Internet sites, of which 60 percent are presumed to be bogus, based on their survey of 800 sites.

If you want to give to hurricane victims, you might consider the fund established by former Presidents George H. W. Bush and Bill Clinton. Similar in focus to the Clinton-Dole fund mentioned previously, this fund will be divided among the separate funds established by the governors of Louisiana, Mississippi, and Alabama to go toward aid efforts in the three affected states. For further details, check their Web site:

<http://www.bushclintonkatrinafund.org/>

Additionally, if you are working with families who are displaced and need jobs and long-term housing, you might check the following Web sites: FirstGov for Consumers, <http://www.consumer.gov/>, is the most comprehensive site for help information for victims of Hurricane Katrina. For victims in Kentucky, see the Cabinet for Health and Family Services Web site:

<http://chfs.ky.gov/dph/epi/preparedness/katrina.htm>.

The Red Cross has a hotel housing program for Katrina survivors, and many hotels and motels are extending special discounts in conjunction with this program. For more information, see http://www.redcross.org/pressrelease/0,1077,0_116_4602,00.html.

Another Web site worth checking if you would like to help is Craigslist Online Community, with resources for Katrina Survivors including lost and found (people), temporary housing, volunteer listings, and general community notices and updates:

http://neworleans.craigslist.org/about/help/katrina_cl.html

America at War: How to Help with Humanitarian Crises in Iraq:

When the initial phase of fighting in Iraq ended, the focus partly shifted from the fighting to helping the people of Iraq. Americans have been looking for ways to assist Iraqi families in need. But before you give to any charity, you need to be certain that it is legitimate. A good charity will spend at least 75 cents of every dollar raised on Iraqi families, providing food and medical help.

The American Institute of Philanthropy (AIP) recently rated the top charities that provide aid in humanitarian crises. Included on this list are the American Red Cross, Doctors without Borders, American Refugee Committee, and Save the Children. For a complete listing of top-rated charities, visit the AIP Web site at <http://charitywatch.org/hottopics/iraqaid.html>

For more information on coping with the ongoing war in Iraq, please visit the University of Kentucky Cooperative Extension Service Web site: America at War: Helping Families and Children Cope. <http://www.ca.uky.edu/agcollege/fcs/AmericaAtWar/INDEX.HTM>



How Does Your Favorite Charity Rate?

There are a number of Web sites devoted to charities. Here are a few:

The American Institute of Philanthropy

issues a rating guide based upon information received from charities. The top-rated charities on their list spend 25 percent or less of money raised on fund-raising. The AIP rates a wide variety of charities in 34 categories, including human rights, cancer, animal protection, and literacy. For a

complete listing of charities and their AIP ratings, visit <http://www.charitywatch.org/toprated.html>.

Another resource on charitable giving is **Charity Choices**, located at <http://www.charitablechoices.org>

This site includes “the inspiring stories of 300+ charities, all of which have met the combined Federal Campaign’s 10 accountability standards, including low overhead.”

The **Better Business Bureau Wise Giving Alliance** is located at <http://www.give.org/reports/>. This site contains information regarding the charities’ programs, governance, fund-raising practices, and finances. The BBB investigates a charity based upon the number of inquiries received by the public.

Source:

“Possible Fraud Schemes: Solicitations of Donations for Victims of Hurricane Katrina” [Special Report]. Washington: U.S. Department of Justice.

<http://www.usdoj.gov/criminal/SpecialReport-HurricaneKatrina.htm>



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November 2001. Revised October 2003, September 2005.