

Managing Your Money

Don't Misplace Your Trust—Or Your Money

(NAPSA)—Do you research a charity before you donate? Chances are you don't, and you're not alone. According to Hope Consulting, 65 percent of Americans fail to research before donating their time and money—but they're donating a lot. In 2013, Americans gave a staggering \$335 billion to charities, notes Giving USA Foundation.

So what about Americans who do research in advance? Unfortunately, they often use ineffective indicators for verifying trust in a charity.

New research from the BBB Wise Giving Alliance shows that 46 percent of people think that looking at how funds are spent would be the most important way to verify whether a charity is trustworthy. Donors often have unrealistic expectations regarding the percentage of a charity's expenses that should go to overhead (administrative and fundraising costs). In fact, charities need overhead to improve their work and further their fundraising and operating capacity. While financial information can help identify questionable charities, financial ratios alone fail to tell the entire story. For example, a charity with good financial ratios may have poor governing board oversight or may not provide donors with easy access to basic information, such as a mission statement or program accomplishments.

Details of a charity's impact can certainly be helpful to donors, but even this measure has limitations. Given the huge diversity and number of charities, there is no universal agreement on how to objectively measure results. Additionally, when there are so many charities addressing similar causes, it is difficult to prove that any single charity has made the biggest difference. Just as solely focusing on financials or overhead doesn't provide a full picture, neither does solely focusing on impact.

Other donors verify trust in charities based on the name alone. Donors can become confused by charities with similar names,



especially when associated with similar causes. Questionable fundraisers count on individuals falling victim to mistaken identity due to their reliance on charity name recognition.

Personal experiences or familiarity with a cause can give donors a false sense of confidence. Emotions can also be clouded by recommendations from family or friends. However, one cannot assume that these well-meaning contacts have verified the charity in advance. Donors should always vet charities for themselves, so they can give with trust.

So what can donors do to make sure that their donations are going to responsible and trustworthy charitable organizations? Donors need to look at the whole picture. Donors should seek out charity assessments that use a rigorous evaluation method against holistic standards rather than ranking charities based on single indicators. This provides donors with the necessary information to truly understand which

charities are trustworthy—and deserving of their time and money.

At Give.org, BBB Wise Giving Alliance evaluates charities using a comprehensive approach. Charities that meet all 20 BBB Standards for Charity Accountability receive accreditation. This accreditation considers finances, governing board oversight, whether or not the organization measures its effectiveness, donor privacy and so on. These measures are integral to understanding the whole picture of a charity's accountability. If an organization meets the BBB Wise Giving Alliance Standards, a donor can be sure that the organization is trustworthy.

Researching before donating is necessary to ensure that you are giving to charities worthy of your dollars and trust. When researching, make sure you are considering the whole picture—not just focusing on a single aspect. Just as you deserve to know that a charity is trustworthy and ethical, a charity deserves to be judged on more than just its finances.