

Financially Speaking

With Trisha Arndt, CFP®

If your going to give, give effectively

I received quite a bit of very nice feedback from clients and other members of the Verona community about my last column discussing the upcoming tax rebate. I'm always thrilled to hear from readers who have found one of my columns particularly useful or entertaining, but even better is when someone gives me an idea for a topic. Imagine how excited I was to receive both at the same time!

I received an email from someone locally who enjoyed the column and wanted to share her plans for the anticipated tax rebate. She disclosed upfront that she was someone who didn't politically agree with the rebates to begin with but had come up with a plan for hers that made her feel good about receiving it.

What is her plan? She is going to give the whole thing to charity.

Wow, what a wonderful idea.

Let me say for the record that as a financial planner I would urge people to first consider their personal financial situation before deciding what to do with the rebate or any other atypical money you happen to receive. Paying off debt, starting a cash reserve or investing for long term goals should be considered by everyone before electing to give money away. After all, charity does begin at home. But if you are in the fortunate position of being able to give to others I would certainly consider it. In my opinion there is nothing more American than giving to those in need.

If you do decide to give, now or anytime in the future, I would urge you to give to charities that are run efficiently. In a perfect world, every cent you would donate would go to fulfilling the mission you support but in reality some portion of every dollar goes to staff salaries, rent, fundraising, etc. Some organizations spend so much on operational overhead that very little is left to go to the cause.

The American Institute of Philanthropy recommends that no more than 40 percent of your charitable donation should go to overhead expenses; other charity watchdogs advise 25 percent (this may not apply to newer, smaller or more obscure causes).

If you are thinking of giving to a large, established charity you can research it's efficiency through several very good websites including www.charitywatch.org; www.give.org; and www.guidestar.org.

If you are looking to give locally the best thing you can do is ask questions. All nonprofit organizations are required to file an IRS Form 990 to prove their tax-exempt status and federal law requires charities to provide the last three years to anyone that asks. Divide

line 13 (Program Services) by line 17 (Total Expenses) to calculate the percentage paid to services versus overhead expenses.

I hope it goes without saying, but be cautious about providing personal information like credit card numbers to organizations that you are unsure of. It's unfortunate, but there are people who try to take advantage of other's generosity and sham charities do exist. Make sure you know who the charity benefits and that the organization is legitimate before giving and try to give by check whenever possible. If you do wish to give electronically use a legitimate website like www.networkforgood.org to safely give to over one million organizations.

Remember too that your philanthropy may have possible tax advantages. Gifts to some organizations may be tax deductible for those that itemize but the IRS has gotten stricter about claiming this deduction. Make sure that you receive an actual receipt for your donation and if you are giving physical property of significant value use an independent appraiser to substantiate the amount of your deduction.

If you are inclined to give but don't have the financial wherewithal to donate money, consider volunteering your time. There are a number of very good organizations right here in Verona that could use help. Consider contacting the Chamber of Commerce for ideas.

Whatever you choose to do you with your rebate, enjoy it. And if you have a unique idea, please share it with me. I always enjoying hearing from readers.

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