

You Can Be A Philanthropist Without Being A Millionaire

by Lynn O'Shaughnessy

Thirty-seven billion dollars is a nearly unfathomable amount of money. If you counted each dollar bill of that fortune, it would cripple your wrist and consume years of your life.

As most of you know, that's the stunning sum that Warren Buffett recently announced he would be donating to mankind. The money will primarily flow into the Bill & Melinda Gates Foundation, which is hellbent on eradicating diseases from Third World countries. Much of the rest will be dispatched to foundations that were created by Buffett's late wife, as well as his children, who have incredibly eclectic interests.

When Warren Buffett divulged that he was going to dedicate most of his wealth to charitable causes, I bet it prompted many people to dream about how they could play Santa Claus if only they had a few billion to scatter like birdseed.

It's not necessary to be worth billions or even millions, however, to make a difference, say, in the lives of autistic children, or adults who can't read a bus schedule.

If you've outgrown writing modest checks for your favorite charities, there are many avenues you can take to connect with causes that you feel most passionate about, whether it's cleaning up the oceans, fighting global warming or providing picture books to your neighborhood library.

You can become a philanthropist by creating a donor-advised fund.

These funds, which look and feel like minifoundations, are revolutionizing the world of philanthropy. If you've got at least \$5,000 to \$10,000 to get started, you can launch a fund that's dedicated to the causes dearest to you. Once your money is sitting in a donor-advised fund, a portion of it can be distributed each year to any charity.

You may rightfully be wondering why you need a donor-advised fund when you can write a fat check directly to the American Heart Association, the Audubon Society or your alma mater.

The beauty of one of these funds, however, is that it provides you with an entree to a professional philanthropic staff, which can help you pinpoint the ideal place for your donations. Doing good works through a donor-advised fund can also be far more rewarding than writing a check because you can become more involved, if you choose, in the cause you are supporting. You can also get your children or grandchildren involved.

The best way to create a donor-advised fund is through a community foundation. Across the country, there are more than 700 of these foundations, from the largest, the New York Community Trust, followed by the Cleveland Foundation, to tiny ones in places like Mifflinburg, Pa., and Scott City, Kan.

In our community, the San Diego Foundation's donor-advised fund program has attracted small donors, as well as major contributors, including Audrey Geisel, the widow of Theodor Seuss Giesel (aka Dr. Seuss), and the late aviation pioneer Reuben H. Fleet.

Another alternative is the International Community Foundation, which was created by the San Diego Foundation many years ago to foster charitable giving in Mexico and other foreign countries.

What's nice about these foundations is that they are plugged into their neighborhoods. The city's Police Department, for instance, contacted the San Diego Foundation when its officers began riding larger horses and needed bigger saddles. The foundation found the perfect donor: a woman who is passionate about horses.

The foundation also maintains a donor-advised fund for a woman who was distressed by the tattered flags flying at the downtown library. Her fund, which was started with about \$4,000, ensures that the library will never fly a torn flag again.

Community foundations also research donor requests, if they are initially stumped. The San Diego Foundation, for instance, has helped a donor who relishes unusual charitable causes. With the foundation's assistance, the man connected with a group that fits handicapped people, including soldiers maimed during the conflicts in Iraq and Afghanistan, with prosthetic devices and special wheelchairs so they can continue playing sports.

Many ways exist to establish an irrevocable donor-advised fund. Cash donations are always appreciated, but you can also use stock. You can deduct the fair market value of the stock and avoid capital gains taxes on the profit. Real estate is also welcome.

Life insurance can also be used to create a major gift for a relatively small price. If the community foundation is named the owner or beneficiary of a new or existing policy, the donor receives a tax deduction. Additional premiums paid through the foundation are also tax-deductible.

If setting up a donor-advised fund in your community or hometown sounds rewarding, you might find it puzzling that most people who establish them never hook up with a community foundation.

Instead, they sink huge amounts of money into commercial donor-advised funds that are offered by such financial giants as Fidelity Investments, the Vanguard Group, Merrill Lynch and Charles Schwab. These financial institutions can't tell donors what school in St. Louis needs computers or what animal shelter is in desperate need of leashes and blankets in Houston. They can't tell you where to go if you're interested in clam restoration in New England.

Frankly, these money management firms horned into this field so they could continue investing their clients' money. You can't expect them to do much more than cut checks. So why are these behemoths getting most of the cash? They've got the monster marketing budgets to attract the money. Community foundations, which most people don't even know exist, can't compete with that.

If you're interested in finding a community foundation in your hometown, visit the Web site of the Council on Foundations, www.cof.org, where you can search for these organizations by region or ZIP code.

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Copley News Service

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