



Money

Giving by Affluent Is Less Generous On Basis of Assets

By RACHEL EMMA SILVERMAN
Staff Reporter of THE WALL STREET JOURNAL
April 22, 2004; Page D2

The rich are different. They don't give as much to charity as the less well-off, at least by one measurement.

Many wealthy taxpayers gave a smaller percentage of their investment assets to charity than those in lower wealth groups, according to a study released today by the NewTithing Group, a nonprofit philanthropy research group based in San Francisco.

People have long measured their giving as a percentage of income, rather than assets. Religious groups, for example, often encourage members to earmark a percentage of their income to charity. However, many wealthy people hold far more in their investment portfolios than they earn in income, so wealth might be a better measure of giving for them, according to NewTithing.

According to the report, which is based on 2001 data, well-heeled taxpayers who earn adjusted gross incomes between \$200,000 and \$10 million, with average investment assets ranging from \$1.7 million to \$46 million, aren't as charitable as those in lower income groups when donations are measured as a percentage of investment assets.

However, those at the top of the wealth pyramid -- with incomes greater than \$10 million -- gave a higher percentage of their assets to charity compared with almost all other income brackets. This implies that the super-rich take their total estates into account when making gifts to charity.

Tax-return filers who earned between \$200,000 and \$10 million gave only 0.48% of their investment assets to charity in 2001. By contrast, less affluent taxpayers who earned \$25,000 to \$200,000 in income, and who held average investment assets from \$83,000 to \$490,000, gave about 1.01% of their wealth to charity.

Wealthier groups appear more generous when their giving is measured as a percentage of income, rather than assets. Filers with adjusted gross incomes of \$200,000 to \$10 million donated about 3.1% of their incomes to charity, compared with only 2.8% of income for filers with incomes of \$25,000 to \$200,000.

In 2001, total charitable giving from living individuals was an estimated \$182.47 billion, according to Giving USA, a publication of the American Association of Fundraising Counsel Trust for Philanthropy.

Generally, though, when wealthy donors budget how much to give to charity, they are "not adjusting upward for the fact that they have more assets," says Tim D. Stone, NewTithing's executive director. "A lot of people, when they think about how much they are donating or want to donate to charity, they aren't really thinking of the big picture of all their wealth," adds Claude Rosenberg, a retired money manager who founded and is chairman of NewTithing.

The picture changes for the upper echelon, however. Filers who earned more than \$10 million and had average investment assets of \$152 million gave roughly 1.2% of those assets to charity, a higher percentage than almost any other income bracket. Estate planning is one factor; donating to charity moves assets out of these huge estates, which curbs estate taxes. There are few tax filers at this highest income bracket (fewer than 7,000 returns in 2001) so a handful of very large gifts could have skewed the data upward.

In reality, most givers don't really think too much about either their income or their assets when they make a donation, says Eileen Heisman, executive director of the National Philanthropic Trust, a public charity which seeks to boost philanthropy overall. "I don't think the average person looks at their income and says I'm going to give 5%. People are looking at the dollar figure instead," she says.

The study was based partly on 2001 Internal Revenue Service charitable-deduction data for those who itemized their deductions. Since only one-third of all filers itemize, the group also used Giving USA figures to estimate charitable-giving levels for the rest. In its analysis, NewTithing estimated average investment assets -- which doesn't include personal residences or possessions, such as cars -- for each income bracket. The study then calculates charitable giving as both a percentage of average income and a percentage of average assets. This is the first year NewTithing has conducted the study.

Most donors give cash to charity, rather than appreciated assets. But by giving cash, rather than assets, many filers end up paying hefty capital gains taxes when they sell their assets. The study found that if the filers who earned at least \$1 million in income had donated appreciated assets, rather than cash, they would have avoided a total capital gains tax hit of about \$659 million in 2001 -- while getting a nice tax deduction to boot.

Filers could have either kept that extra money -- or given it away to charity.

NewTithing offers a free calculator on its Web site (www.newtithing.org) called "PrudentPal" that helps users figure out roughly how much they would save in capital gains if they gave appreciated assets, rather than cash, to charity.