

Charities: Why It's Best to Give Close to Home

Whether Americans are moved by the holiday spirit or just doing some last-ditch tax planning, the charitable-giving season starts now. But with budgets tight, it's important to get the most out of your gift – and you might get more mileage from your contribution by giving to smaller, local organizations, rather than to the big, brand-name charities.

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Although overall donations to charities are down — 40% of charities said they saw contributions decline in the first half of 2010, compared to 2009, according to one survey — some signs suggest givers are still supporting local charities. When times get tough, people tend to shift their giving toward groups that provide basic needs, experts say, and the groups best able to meet those needs tend to be local. Of the few non-profits that saw increased contributions in 2009, many — including ones like the AmeriCares Foundation — rely on donated goods such as clothing and food. Those aren't the sorts of things people go far to give. And after seeing school budgets cut and neighbors' homes foreclosed upon, many people are also focused more on improving their own community, says Bob Ottenhoff, the chief executive of GuideStar, which serves as a massive repository for information on more than 1.8 million U.S. charities, including their financials.

The move toward local giving may also represent a shift toward more efficient giving. With fewer charitable dollars in play, local charities are often able to spend more of the money they raise on programs, says Jeffrey Cain, a principal at consulting firm American Philanthropic, largely because they don't usually employ professional fundraisers or a powerful chief executive with a big salary to match. For example, the national organization AIDS Emergency Fund receives a middling rating from Charity Navigator, a nonprofit organization that grades charities based on fundraising efficiency, spending on programs and other measures of generosity, in part because it puts 81.9% toward programs. In contrast, a top-rated local organization with a similar mission, AIDS Foundation Houston, spends 86.8% on programs — a difference which means an extra \$4.90 for every \$100 donated gets passed on to the organization's clients.

Local organizations may also be easier to vet than *national groups*⁴. That means a better shot at assessing whether a group accomplishes its aims, says Tim Seiler, the director of the Fund Raising School for The Center on Philanthropy at Indiana University. Before you write a check, you could visit an adopt-a-thon at a local animal shelter to see first-hand how many kittens have been saved and placed or volunteer for a shift at the soup kitchen to see how it's run and how many people it serves nightly. "That visit is usually a pretty good indicator of whether you like what's going on," he says.

Local groups are often able to fundraise more efficiently, too. So even in cases where the local option breaks even with national, or falls behind, there's an advantage to having the impact of say, more aid for the homeless or better literacy programs in your neighborhood. "It's an investment in your community," Cain says.

Here's an example of how a national charity's spending compares to several local organizations with a similar mission:

Food Banks

Charity (Scope)	Charity Navigator Rating	% Toward Programs
Feeding America (National)	★★	95.6
Capital Area Food Bank of Texas (Austin)	★★★★	96.7
Maryland Food Bank (Baltimore)	★★★★	91.2
Greater Chicago Food Depository (Chicago)	★★★★	94.0
San Francisco Food Bank (San Francisco)	★★★★	97.1
City Harvest (New York)	★★★★	90.6

Data from Charity Navigator.

Some causes, of course, are better served nationally. Medical research is largely run by national groups, for example. International aid does include plenty of small groups local to an affected area, but it's usually difficult to donate directly, says Eileen Heisman, the chief executive of National Philanthropic Trust.

And in some cases, there might not even be a local group to support. In the aftermath of a natural disaster — such as Hurricane Katrina or the earthquake in Haiti — local organizations may be in need of help themselves, and ill-equipped to help others. Meanwhile, national groups are also more effective at processing and distributing aid, says Ottenhoff. Local groups may have good intentions, but big, established nonprofits have the connections and experience to make more of a difference quickly.

Sometimes you can have it both ways: National charities such as the Red Cross may let you designate a donation for a specific local chapter. If you go that route, check the branches' finances, says Bennett Weiner, the chief operating officer for the Better Business Bureau's *Wise Giving Alliance*⁵. (You can do that at the BBB, Charity Navigator or GuideStar.) Local affiliates may manage their operations separately and could be more — or less — effective than their parent charity.

¹<http://www.smartmoney.com/spending/deals/this-year-charity-begins-with-smart-choices/>

²<http://www.smartmoney.com/personal-finance/taxes/new-and-improved-advice-for-wealthy-givers/>

³<http://www.smartmoney.com/spending/rip-offs/10-things-your-charity-wont-tell-you/>

⁴<http://www.smartmoney.com/spending/deals/this-year-charity-begins-with-smart-choices/>

⁵<http://www.bbb.org/us/Wise-Giving/>

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