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THE T. ROWE PRICE PROGRAM
FOR CHARITABLE GIVINGSM

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BEYOND

GIVE TODAY AND
TOUCH MORE LIVES
TOMORROWSM

{ IN TOUCH }

IN CALENDAR YEAR 2006, total donor contributions to The T. Rowe Price Program for Charitable Giving were \$20.2 million, bringing the Program's total invested assets close to \$50 million. During this time, \$8.5 million in grants were made.

These strong results are testimony to our donors' generosity, and they reflect a national trend toward increased giving. In this edition of Beyond, we are highlighting some of the major issues and forces at work in charitable giving today, including the emergence of the Bill and Melinda Gates Foundation. With pledged assets of more than \$60 billion, the Gates Foundation is setting an aggressive, technology-driven agenda to change how charities address society's problems.

We also highlight the results of a Bank of America study which explores how high-net-worth households

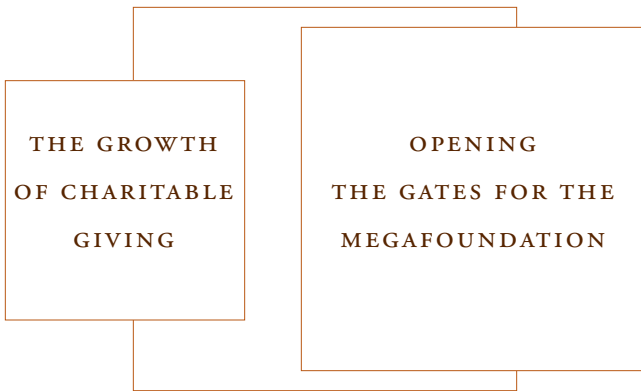
give. This should provide you a good perspective on how your fellow donors from across the country approach giving and the factors that motivate them.

Finally, our Program donors get a chance to speak out on the state of charitable giving. We feature three interviews that span current topics from why, in general, people give to the donors' personal charitable priorities. You'll probably find much to agree with and a few opinions worthy of some lively debate.

We hope you enjoy this issue and thank you for being part of The T. Rowe Price Program for Charitable Giving. We believe the philanthropic community can play an increasingly important role in helping to strengthen society, and we hope these articles give you a sense of the value of each individual's contribution.

— *Ann Allston Boyce, President*
The T. Rowe Price Program for Charitable Giving





In “The Gospel of Wealth,” Andrew Carnegie advised people to make charitable donations while they were still alive. He felt that posthumous giving is “only a means for the disposal of wealth, provided a man is content to wait until he is dead before he becomes of much good to the world.”

We’re pleased to report that our donors agree with Andrew Carnegie on the wisdom of giving while they can still witness the good their donations can accomplish. In 2006, donations to the Program increased by more than 48% over the same time period in 2005, and grants made by the Program based on the recommendations of our donors increased by over 72%.

RECENT FIGURES REFLECT A NATIONAL TREND OF INCREASED GENEROSITY

Our experience at the Program is reflected in a rise in charitable donations nationally—Giving USA reports that estimated charitable giving in America rose to more than \$248 billion during 2005. Individuals gave about \$199 billion of that total, which accounted for more than three-quarters of all charitable gifts. Individual giving rose 6.4% from the previous year, confirming America’s continued support of private philanthropy.

This growing interest in giving is showing up in some unexpected places. The Web site About Weddings reports that one of the top 10 charitable trends for 2006 was “doing good for the community through your wedding.”

Philanthropic couples can create a charity registry of their favorite causes or list their registry with a store that will donate a percentage of gift purchases to a charity they choose.

THE CHARITABLE TIDE CRESTS WITH A RECORD-BREAKING DONATION

But the biggest news in charitable giving during 2006 was Warren Buffet’s massive contribution to the Bill & Melinda Gates Foundation. Buffet pledged stock from his Berkshire Hathaway Fund estimated to be worth more than \$30 billion at the time of the gift. Even before this donation, the Gates Foundation was the largest in the world, with an endowment of \$31.9 billion as of August 31, 2006.

TAKING A GLOBAL APPROACH TO IMPROVING EDUCATION AND HEALTH CARE

Bill and Melinda Gates created their foundation to “reduce inequities and improve lives around the world.” Thanks to the massive resources available to the Gates Foundation, it can confront a wide range of problems that would overwhelm almost any other private organization.

The foundation supports grantees in all 50 states and the District of Columbia. On the international front, it sponsors work in more than 100 countries. To achieve an extremely ambitious agenda, the Gates Foundation has divided its grant-making focus into three main areas: *Global Development Program:* This program gives families in developing countries the tools they need to overcome poverty and hunger in the next 10 to 15 years. Since most of these families depend on agriculture for their living, the Gates Foundation will work to increase crop production and provide farmers with better access to markets. To improve economic conditions, financial services such as insurance and loans will be made available to the poor.

Global Health Program: Each year millions of people

die in developing countries from diseases such as malaria and tuberculosis. This program focuses on providing life-saving treatment and preventative measures to those most at risk. The two main program goals are:

- Providing vaccines and drugs for common diseases
- Encouraging research to achieve practical, affordable health solutions for poor people in developing countries.

United States Program: In addition to its work in developing countries, the Gates Foundation also focuses on increasing opportunities for those who are struggling in the United States. The domestic program:

- Helps more students graduate from high school with the skills needed for success in college and on the job
- Gives libraries in low-income communities resources to upgrade their computers and stay connected to the Internet.

COMMITTING BILLIONS OF DOLLARS ACROSS THE GLOBE

When the Gates Foundation targets a problem, its financial power is remarkable. Consider *The New Yorker's* findings that since 2000, the Gates Foundation spent more than \$6 billion on Third World health, which is more than any charity and almost every contributing nation combined.

To fund its programs, the Gates Foundation made total grant payments of about \$1.4 billion in 2005. Grants will increase until they reach approximately \$3.5 billion annually from 2009 – 2015, depending on investment returns.

The New York Times recently noted that the emergence of the Gates Foundation has caused a shift in power away from older foundations that were the dominant philanthropic forces for most of the 20th century. With the addition of Warren Buffet's gift, the Gates Foundation will have an endowment of approximately \$60 billion, which makes it twice the size of the Ford, Carnegie, and Rockefeller foundations combined.

A CHARITABLE PHILOSOPHY THAT EMPHASIZES IMMEDIATE ACCOMPLISHMENTS

While the Gates Foundation can tap seemingly endless resources, it has a limited life span. Unlike other foundations that continue to operate long after their founder's death, the Gates Foundation announced in December of 2006 that it will shut down 50 years after the death of the last of its three trustees—Bill and Melinda Gates and Warren Buffet.

Patty Stonesifer, the Gates Foundation's chief executive, said the decision was influenced by the trustees' feeling that there is an immediate need to solve problems related to disease, poverty, and education. She said the mentality is to "roll up your sleeves and get it done now." She added that the three trustees "felt that they wanted to put the spotlight on this time and try to have that as part of the underpinnings of the organization."

EXAMINING THE EFFECTS OF THE GATES FOUNDATION

Given the considerable financial weight it brings to any charitable cause, the Bill & Melinda Gates Foundation will affect the charitable landscape for the foreseeable future. *The Boston Globe* noted that the Foundation has already influenced the research community through its "willingness to back long-term research at a time when many funding sources ... have shifted their focus to shorter term projects" and its funding of "projects aimed at solving health problems in the developing world."

Beyond these changes, the Gates Foundation may also bring a new visibility to charitable giving that will be felt beyond the work it supports. The Foundation's unique size and vitality have attracted press coverage far beyond that given to more traditional foundations. By drawing public attention to causes such as Third World poverty and education reform, the Gates Foundation is likely to bolster the trend toward increased giving and personal involvement in charitable causes.

THE HABITS OF HIGHLY CHARITABLE HOUSEHOLDS:

In cooperation with the Center on Philanthropy at Indiana State University, Bank of America recently conducted a study of the giving habits of high-net-worth households in the United States. These households were defined as having incomes greater than \$200,000 or assets of \$1,000,000 or more.

The study provides a number of interesting insights into how and why people give. We've included highlights of the survey here because they confirm many of the positive impressions we have received while working closely with donors to The T. Rowe Price Program for Charitable Giving.

CHARITABLE IMPACT OF HIGH-NET-WORTH HOUSEHOLDS

While they make up just 3.1% of all U.S. households, high-net-worth households account for about two-thirds of the country's household charitable giving. In 2005, high-income households donated about \$126 billion to charity.

THE TOP FIVE SECTORS RECEIVING THIS MONEY WERE:

Religion	22.0%
Education	21.6%
Fund and Foundations	17.3%
Arts	10.8%
Health	6.7%

PERCENTAGE OF HIGH-NET-WORTH HOUSEHOLDS MAKING DONATIONS

While more than 67% of U.S. households make charitable donations, nearly 98% of high-net-worth households donated to charities in 2005.

INFLUENCE OF DONOR-ADVISED FUNDS AND FOUNDATIONS

High-net-worth households with donor-advised funds or foundations gave an average total of \$120,651 to charities, while those without funds or foundations gave \$82,850.

WHAT MOTIVATES DONORS TO GIVE

High-net-worth donors give for a wide variety of reasons.

Here are the top five motivators according to the study:

Meeting critical needs	86.3%
Giving back to society	82.6%
Reciprocity	81.5%
Bringing about a desired impact	68.5%
Nonprofits should provide services governments can't	64.4%

MANY DONORS ALSO GIVE THEIR TIME TO CHARITIES

In addition to providing financial support for their favorite charities, most high-net-worth donors also give their time generously. Here are the top ways donors helped one of their favorite charities:

Volunteering with a nonprofit	79.7%
Helping with fundraising activity	61.8%
Serving on Board of Directors	61.1%
Helping plan an event	55.2%

SOURCES OF WEALTH AFFECT HOW PEOPLE GIVE

How high-net-worth households came by their money has a definite effect on their charitable contributions. Households that attained at least 50% of their net worth through entrepreneurship gave an average of \$232,206 to charity, far ahead of all other categories. Other sources of wealth and their average contributions include:

- Inheritance (\$109,745)
- Savings (\$84,882)
- Return on income (\$69,978)
- Appreciated real estate (\$11,105)

HOW AND WHY PEOPLE GIVE

FINANCIAL SECURITY PROMOTES GREATER GIVING

The amount high-net-worth households donate to charity increases with their financial security. This helps explain why recent advances in the economy and financial markets have been accompanied by record charitable donations from private individuals. High-net-worth households that were extremely secure in their finances gave an average of \$220,217 during 2005. On the other extreme, households that were extremely insecure in their finances gave an average of \$16,567.

HOUSEHOLDS THAT GIVE MORE TIME ALSO GIVE MORE MONEY

Those who are generous in volunteering their time also tend to make higher donations to charity. Here are the annual donations of high-net-worth households based on their average hours of volunteer service:

201 hours or more	\$132,086
101 – 200 hours	\$104,691
51 – 100 hours	\$92,717
1 – 50 hours	\$31,092

HOUSEHOLDS ARE PLEASED WITH THE EFFECTS OF THEIR GIVING

High-net-worth households appreciate the effects their donations have on the community at large. Their overall satisfaction rating from the survey was:

Extremely satisfied	4.0%
Very satisfied	42.9%
Somewhat satisfied	44.8%

REPEALING THE ESTATE TAX WOULD NOT GREATLY AFFECT CHARITABLE CONTRIBUTIONS

The possible repeal of the estate tax doesn't appear to dampen the charitable spirits of high-net-worth households. If the estate tax were repealed, 56.1% of respondents said their contributions would stay the same. Surprisingly, 29.5% of households said their contributions would actually increase. Only 5.5% said their contributions would likely decrease.

SOURCES OF ADVICE FOR MAKING CHARITABLE DONATIONS

High-net-worth households consult with a wide range of resources before deciding where to make their charitable contributions. Among the leading sources of advice are:

Fundraisers/nonprofit staff	41.2%
Peers or peer networks	35.9%
Accountants	26.6%
Attorneys	16.4%
Foundation staff	15.2%

MANY HOUSEHOLDS INVOLVE CHILDREN IN SOME ASPECT OF THEIR CHARITABLE GIVING

One of the best ways to teach children the importance of philanthropy is to actively involve them in some aspect of giving. More than 70% of those surveyed discussed giving with their children. In addition:

35.0% let children participate in decision-making
18.8% give children funds to donate

To access the full content of the study, go to BankofAmerica.com.

IN THEIR OWN WORDS... OUR DONORS SPEAK OUT ON GIVING

Considering our donors' active involvement in charitable giving, it is not surprising they have some interesting opinions on the subject. We asked them a variety of questions, including their views on giving in general, government versus private philanthropy, their personal charitable priorities, and any future giving trends they foresee.

Fortunately, the donors we interviewed were generous with their comments. They typify the charitable outlook and independent spirit that have allowed the Program to have a wide-ranging effect on our community. We appreciate their candor and believe their responses will be thought provoking.

HERBERT LEVETOWN

PROFILE: While Herb does not consider himself a rich man, he is proud to follow the example of his parents, who gave to charity even when they could not afford it. He has participated in the Program for a year and a half.

FAVORITE CHARITIES: Local Jewish charities, Indiana University, Alzheimer's, Arthritis, and the Mayo Clinic

WHY PEOPLE GIVE/WHY PEOPLE GIVE DURING THEIR LIFETIME

"While I realize many people give to charities because of the income tax deduction, there is also a satisfaction that comes with directing money to the charities that mean the most to me. As a donor, giving allows me to take charge of my money and take positive steps to be sure it is used to support the causes I have a passion for. Significant donors are often asked to serve on the boards of charities, which lets me take an active role and be sure my money is being spent wisely."

BENEFITS OF PRIVATE VERSUS GOVERNMENT GIVING

"Government social welfare programs are important, but as individual taxpayers we have little to no control over how our money is spent. Private giving takes the decision out of politicians' hands and gives individuals the power to make their own choices. Individuals can give

to causes the government can't support—for example, churches and controversial causes that may not have widespread political support."

EFFECT OF THE RISE OF THE MEGAFOUNDATION

"I believe the Gates Foundation can accomplish a great deal of good. It can have a huge impact in areas where other charities (and many governments) don't have the resources to make a difference. The Foundation can afford to do very high level research and target a wide range of problems without spreading itself thin."

IF I HEADED A LARGE FOUNDATION

"I'd set up tuition-free schools in the U.S. to train people in a trade that would allow them to earn a decent income to provide for their families. I would also support small farms so that families would not be forced to leave their homes and give up their livelihoods. I believe small farms are an important part of America's heritage and that we can't afford to lose them."

FUTURE TRENDS IN PHILANTHROPY

"I believe the rate of giving will continue to increase in the future. People are still doing well economically, and as organizations like the Gates Foundation gain more visibility, many may be inspired to give even more."

STEPHEN ELLIOTT AND KIM RISEDORPH

PROFILE: Steve is a retired management consultant who now devotes all of his time to his volunteering interests. Kim is a pastor at a local community church. They have participated in the Program for three years.

FAVORITE CHARITIES: Doctors Without Borders, local community homeless programs

WHY PEOPLE GIVE/WHY PEOPLE GIVE DURING THEIR LIFETIME

"We think most people are motivated to give by an emotional response to a given request for funds or by news stories about disasters such as Hurricane Katrina or

9/11. There are also many ‘seasonal givers’ for occasions such as Thanksgiving and Christmas.”

We much prefer to give during our lifetimes. We have been greatly blessed, and sharing our resources in the present is much more important than leaving a legacy at death. The benefit for us is that we have a personal affiliation with the need and we get to see the impact, no matter how big or small.”

BENEFITS OF PRIVATE VERSUS GOVERNMENT GIVING

“Generally we feel that with private giving, the money gets directed to a need quicker and more gets there since there may be less overhead cost.”

IF WE HEADED A LARGE FOUNDATION

“We would set up programs to help ease chronic hunger and homelessness in the United States. If they are backed by the proper resources, much can be accomplished through food banks, job training, and job search assistance.”

JIM CHANDLER

PROFILE: For over 30 years Jim has worked with a U.S.-Canadian treaty organization that deals with many water and air issues along the boundary. Jim has participated in the Program for three years.

FAVORITE CHARITIES: CARE, Doctors Without Borders, Red Cross

WHY PEOPLE GIVE/WHY PEOPLE GIVE DURING THEIR LIFETIME

“When you see someone who needs help and are able to take care of them, you make an immediate personal connection. Also, the United States has a long history of helping others and most of us grew up as part of that culture. I give while I’m still living because I want to help people now and make a difference now. Giving while I can see the results makes me feel part of the process of life and gives me a sense of accomplishment.

There are lots of situations where I can’t help—being a donor reminds me of the times when I can help.”

BENEFITS OF PRIVATE VERSUS GOVERNMENT GIVING

“There are some essential things government can do that most charities can’t—for example, start a school system. Government programs may also promote equality since they can reach people who may not be targeted by private charities. On the other hand, private giving is more immediate to the donor and carries a much higher degree of emotional involvement.”

EFFECT OF THE RISE OF THE MEGAFOUNDATION

“Larger foundations can be more efficient since they enjoy economies of scale. They can also attack a problem with a sustained, long-term effort knowing that they won’t see immediate results. Smaller organizations often don’t have that luxury. On the down side, when foundations get too large, they can be very bureaucratic. Having smaller charities means there will be mavericks around who can shake things up. Smaller charities may also be more likely to have a local, neighborhood focus than larger foundations.”

IF I HEADED A LARGE FOUNDATION

“I would concentrate on global warming and finance technology that could deliver cleaner energy. I would also encourage low-tech cooking in less developed areas so there would be an alternative to the pollution caused by burning wood. We could also benefit from a trade agreement with China—we would provide them with green technology such as scrubbers for smokestacks at a discount in exchange for their goods.”

FUTURE TRENDS IN PHILANTHROPY

“I believe more donations will have to be directed to disaster relief due to changes brought about by global warming. The trend toward expanded disaster relief will also be fed by modern communications, which lets us see disaster victims immediately and provides motivation to respond.”

“GIVING WHILE I CAN SEE THE RESULTS MAKES ME FEEL PART OF
THE PROCESS OF LIFE AND GIVES ME A SENSE OF ACCOMPLISHMENT.”

— *Jim Chandler, Program for Charitable Giving Donor*

DUKE STUDIES BRAIN ACTIVITY TO EXPLAIN CHARITABLE BEHAVIOR

A study at the Duke University Medical Center may provide new insight into what motivates people to act charitably. Researchers used an MRI chamber to study brain scans of volunteers who played a game to win money for a charity or answered questions that assessed their willingness to perform charitable acts.

The results showed that altruistic behavior caused activity in the section of the brain that is used to understand social relationships, purpose, and meaning. Researchers believe this may mean that altruism is

related to the ability to see that other people are acting in meaningful ways.

Scott A. Huettel, an associate professor at Duke and a member of the research team, said the study did not find a correlation between brain activity and measures of empathy. He stated, “We think it’s something a little simpler [than empathy]. It’s not that you feel the other person’s pain or understand their feelings and emotions. It’s more you can see that they have intentions and goals, and you recognize their importance.”

The T. Rowe Price Program for Charitable Giving is an independent nonprofit corporation and donor-advised fund founded by T. Rowe Price to assist individuals with planning and managing their charitable giving. The Program has contracted with various T. Rowe Price companies to provide operational, recordkeeping, and investment management services to the Program.