

WINTER 2002

BEYOND

GIVE TODAY AND
TOUCH MORE LIVES
TOMORROW

{ IN TOUCH }

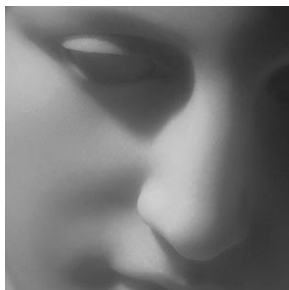
This issue of *Beyond* takes a closer look at the roots of American philanthropy. As you will discover, America's first philanthropists were motivated to give for perhaps many of the same reasons Americans give today: to get money "into action"—as George Eastman wrote. A current point of view is offered by David Strawbridge, an early donor to the Program for Charitable Giving.

Although the philanthropic foundation is America's most distinctive contribution to philanthropy, the largest potential for philanthropic growth in the next few decades will likely come from individuals and families. Individuals now account for 90 percent of all giving (approximately \$120 billion annually); large foundations such as Ford or giant corporations such as ExxonMobil account for the other 10 percent.* According to "America's Tradition of Giving and Volunteering" (www.guidestar.org), 69% of American households make a contribution to one or more charitable organizations. The average gift of contributing households is \$1,017, or 2.2% of income.

What's more, the potential for giving will undoubtedly expand as the wealth from the World War II generation moves to its heirs. No one actually knows how much this generation has amassed—some estimates cite \$40 trillion by the year 2025. Peter Karoff, of The Philanthropic Initiative, believes we are drawing closer to "a philanthropic big-bang pulled by two powerful forces. One force is the money, more than any other generation on earth has seen, and the other is the mood...of so many Americans who have become seekers of meaning in their lives, seeking to redefine their values, their spirituality."

As I look back at the progress of The T. Rowe Price Program for Charitable Giving over the last year, I am thankful for our donors' participation and generosity. The aftermath of September 11 no doubt caused many of us to become "seekers of meaning." In the upcoming year, the Program will continue to assist you not only in defining that meaning but also in finding concrete ways to put that meaning into action through thoughtful giving.

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



* *The Wise Art of Giving: Private Generosity and the Good Society*, (seminar materials), The Trinity Forum, www.ttf.org, 7902 Westpark Dr., Suite A, McLean, VA 22102-4202, p. ix.

GETTING MONEY INTO ACTION

The Deep Roots and Great Ideals of Philanthropy in the United States

In her book *Don't Just Give It Away: How to Make the Most of Your Charitable Giving* (reviewed on the back page), author Renata Rafferty notes how philanthropy is something quite different from “giving” and “charity.” “The word’s Greek and Latin roots,” writes Rafferty, “attest to the notion that philanthropy is motivated by a deep and abiding love of humanity. In its truest meaning, ‘philanthropy’ implies a deeply felt conviction for the worth of all humanity” (p.19).

Although information is readily available about the “mechanics” of philanthropy—taxes, laws, and politics—less is available on its deep roots and great ideals. How did it begin? What—and who—fueled the growth of philanthropy in the United States? How did it become a vital factor in education, in reform movements, and in democracy itself, including the abolition of slavery, creation of public schools and libraries, women’s suffrage, and child labor laws? Today, for example, more people are employed full time in philanthropic work in the United States than are employed full time by the federal and state governments combined.* A brief historical overview as well as perspectives from several of

America’s greatest philanthropists provide clues to its deep tradition.

Nearly all civilizations have practiced some type of philanthropy. The ancient Jews levied a tithe (tax) for the poor. Ancient Egyptian and Greek royal families gave gifts to establish libraries and universities, and the medieval church supported hospitals and orphanages. In 1601, England passed the Statute of Charitable Uses, which became the legal basis of philanthropy in Anglo-Saxon law.

In the United States, gifts from private donors helped to start many early churches and colleges, such as Harvard University. In 1751, Benjamin Franklin raised money to help found the first hospital in America. In 1829, James Smithson set aside money for the creation of the Smithsonian Institution.

In the late 19th century, the explosive growth of capitalism and the Industrial Revolution gave rise to two factors that would influence the beginning of modern philanthropy: terrible social conditions that went beyond the capacity of private charity to address; and new wealth amassed by Industrial Revolution titans such as Andrew

Carnegie (1835-1919) and John D. Rockefeller (1839-1937).

In many ways, Carnegie and Rockefeller shifted the focus of giving from relief of immediate need to long-term planning to prevent future need. Furthermore, both learned to administer their benevolence the way they administered their businesses. “Surplus wealth is a sacred trust,” wrote Carnegie, “which its possessor is bound to

administer in his lifetime for the good of the community.”⁺ In working his way through, “the ever-widening field of philanthropic endeavor,” Rockefeller found he was forced to organize, “on as distinct lines of progress as we did our business affairs.” In their lifetimes, Carnegie and Rockefeller together contributed nearly \$900 million to charitable causes.

In addition to Carnegie and Rockefeller, several other businesspeople gave form and shape to America’s philanthropic tradition. Among them:

George Eastman (1854-1932)

EASTMAN, FOUNDER OF EASTMAN KODAK, GAVE AWAY \$125 MILLION DURING HIS LIFETIME, MORE THAN ANYONE ELSE OF HIS GENERATION SAVE FOR JOHN D. ROCKEFELLER, JOHN D. ROCKEFELLER, JR., AND ANDREW CARNEGIE.

“If a man has wealth he has to make a choice because there is the money heaping up. He can keep it together in a bunch, and then leave it for others to administer after he is dead. Or he can get it into action and have fun, while he is still alive.”

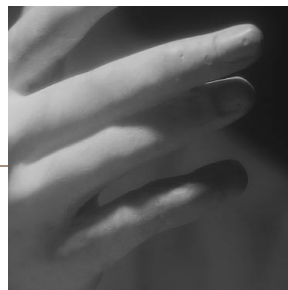
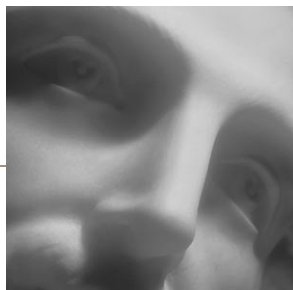
Henry Ford (1863-1947)

DURING HIS LIFETIME, FORD GAVE AWAY ONE-THIRD OF WHAT HE MADE (\$37.6 MILLION) USING AS HIS GAUGE THIS MOTTO: “A CHANCE AND NOT CHARITY.”

“I do not believe in giving folks things,” he once said. “I do believe in giving them a chance to make things for themselves!”

Andrew W. Mellon (1855-1937)

AN AVID COLLECTOR OF ART, MELLON DONATED HIS COLLECTION TO THE UNITED STATES AND WAS ACTIVELY INVOLVED IN THE CONSTRUCTION OF THE NATIONAL GALLERY OF ART. MELLON DID NOT LIVE TO SEE THE GALLERY’S OPENING IN 1941, BUT HIS SON, PAUL, WAS PRESENT AND CONTINUED TO BE THE GALLERY’S CHIEF PATRON UNTIL HIS DEATH IN 1999.



⁺ This quote and following quotes of 19th and 20th century philanthropists from *The Foundation Builders*; booklet published by and available from The Philanthropy Roundtable, 1150 17th Street, N.W., Suite 503, Washington, D.C. 20036, www.philanthropyroundtable.org.

GUIDESTAR

Your Gateway to Charitable Giving

The T. Rowe Price Program for Charitable Giving was founded to assist donors such as you to realize the personal, social, and financial benefits of charitable giving. Are you aware, however, that the Program also offers another valuable benefit?

Through www.ProgramForGiving.org, a Web site created exclusively for The T. Rowe Price Program for Charitable Giving, you can link directly to GuideStar™, the largest searchable database of nonprofit organizations in the United States. To advance philanthropy, GuideStar lets you search from among more than 700,000 entities—all 501(c)(3) public charities recognized by the Internal Revenue Service. Some qualified nonprofit organizations, such as churches, are not required to file with the Internal Revenue Service and may not be listed. In addition, not all educational institutions are listed.

GuideStar's database is updated weekly, reflecting any qualified organizations that have been approved by the Internal Revenue Service. At the same time, any organization deemed by the IRS to no longer qualify for nonprofit status is removed.

Through this valuable search engine, you can access a nonprofit's IRS Form 990, which contains important information about an organization's mission, programs, finances, and management. This document is filed annually by all public charities (again, with the exception of churches and some educational institutions) and must be submitted within 18 months of a nonprofit's inception. Form 990 information can give you greater insight into a charity you may be considering for the first time as well as confirm the credentials of one with which you are already familiar. Please note that there is a lag time of several months between the time the nonprofit submits its Form 990 to the Internal Revenue Service and the time that same Form 990 is available on GuideStar.

Before beginning your research, keep in mind that there is no single, universal way to evaluate a nonprofit organization. What is important is to have the

resources at your disposal to comprehensively assess a charity to learn if its goals and values closely match your own. This is where GuideStar can help.

For example, we've all heard stories about financial abuses at specific charities. One way to evaluate a charity's efficiency through GuideStar is to compare its program ratio—the percentage of total expenditures devoted to programs and services—with that of its peers. Of course, you'll want to bear in mind that a number of factors such as size, age, and location can affect a nonprofit's expenses and skew its ratio. A case in point: A nonprofit in an area with a high cost of living will need to pay more for office space, supplies, and salaries than a comparable organization in a less costly area. In cases where there are Form 990s for multiple years, you can see whether the charity is increasing or decreasing program expenditures. In addition, are donations increasing or declining?

Moreover, GuideStar offers you the ability to:

- Search for nonprofits using general keywords (e.g., diabetes, literacy programs)
- Narrow your search by:
 - *selecting a particular city*
 - *limiting it to a single state*
 - *restricting it to a specific ZIP code*
 - *identifying a nonprofit's desired "income range"*
- Link directly to individual GuideStar participants' Web sites from the GuideStar pages
- Review information related to nonprofits and charitable giving through online articles and links to more than 60 national Web sites that provide information to donors and volunteers on nonprofit practices and philanthropy.

GuideStar is a valuable tool that can help you seek out and compare charities, as well as evaluate them, prior to making grant recommendations. Even more valuable, however, is the firsthand knowledge you get from personal experience with a nonprofit organization. Personal involvement rewards not only you but also the organizations you care about.

IN OTHER WORDS...

Reasons for giving to charities through a donor-advised fund such as The T. Rowe Price Program for Charitable Giving are as abundant and unique as the donors themselves. Following is a perspective from David A. Strawbridge, an early donor to the Program.

A good philanthropic “portfolio” should be diversified, with some seasoned organizations and some smaller and more venturesome causes.

—David A. Strawbridge

I am a lawyer in private practice in New York City, born in the pre-World War I period before the Baby Boomers. I served in the Navy in the pre-Vietnam period, and without much in the way of family financial resources, studied law and found a job in New York City—where I have been ever since. My average annual income as a Naval officer and a student in the 1960s was less than \$5,000. I am successful as a lawyer but have never forgotten what a dollar means to someone with limited resources.

Since childhood I have always made donations to charity to support the community. As it happened, some of my legal clients represented old wealth, and I have learned a great deal from them about philanthropy and the combination of idealism and discipline that is needed to do it well.

Donor-advised funds have been around for a long time, but until recently, they were chiefly for the wealthy. The amount needed to qualify was too high. The T. Rowe Price Program for Charitable Giving was attractive to me because it permitted participation at more modest levels. As a longtime investor in T. Rowe Price mutual funds, I had confidence in the name. That confidence has been borne out by the well-organized manner in which my account has been handled over the past two years.

Charitable giving strategy is like investment strategy in that you want your “investments” to be successful—in this case measured by charitable rather than financial objectives. A good philanthropic “portfolio” should be diversified, with some seasoned organizations and some smaller and more venturesome causes. But a well-planned budget is needed, and the resources shouldn’t be spread too thin. Deciding where to “invest” charitable dollars has emotional elements and success can be spiritually satisfying, but the basic decisions involve hard-nosed judgments about how the community will best be served. In each area, I try to find the most effective charity and then make a meaningful “investment” continuing over a period of years.

Don't Just Give It Away: How to Make the Most of Your Charitable Giving

by Renata J. Rafferty

Chandler House Press, April 1999

In terms of my giving philosophy, there are two important themes: core community support and issue philanthropy. My biggest gifts are to education and the United Way because I think these are likely to build a stronger future for everyone, particularly people struggling to better themselves and their families. Other gifts go to organizations that appear to be effectively addressing causes or programs I believe are important, such as medical research, civil rights, and the environment. My gifts are too small to have much of a direct impact, but I take the process seriously.

My giving pattern so far has been unchanged by 9/11, not because I wasn't deeply moved by those events, but because I know that the charities I support have been hurt by the diversion of attention from their longer-term goals. I am convinced that effective charitable action must be well organized, thoughtful, and sustained. It is no surprise that many of the 9/11 charities are generating controversy and producing very mixed results.

Quality and achievement in the charitable arena comes down to accountability. It is not enough to repeat platitudes about helping the poor, the downtrodden, the ill and infirm. The plain fact is that some charities provide very little benefit to anyone other than their managers and consultants despite their high-sounding words. Asking for their financial reports is instructive, and if they are not forthcoming, no support is warranted. How much of their resources are expended in fund-raising or administration—as opposed to the charitable program? Several organizations (some with Web sites) evaluate and grade the better-known charities, and these can be helpful in weeding out losers. Numbers do not tell the whole story, however, and there is no substitute for thoughtful judgment about whether a charity is making a real contribution to a long-term solution.

In the foreword to this book, actor Paul Newman (whose Newman's Own food products have raised more than \$100 million worldwide for charities around the globe) writes: "I wish *Don't Just Give It Away* had been written years earlier—I could have used it."

Every thoughtful giver could use this practical, well-rounded resource full of helpful guidelines for donors. From exploring one's own philanthropic goals and evaluating prospective charities to tracking and measuring the performance of one's gifts, this book is full of useful strategies for those who wish to give more effectively and efficiently.

For example, Rafferty includes a chapter called "Ten Warning Signs: Where to Look for 'The Bodies'" that all donors should heed before proceeding with a contribution to a charity. These warning signs include:

- You were discouraged or barred from a site visit or board meeting.
- Financial records are unavailable, unintelligible, or generally in disarray.
- There is no written strategic or business plan for the organization.
- Fewer than 70% of the board members have made a financial contribution to the organization within the last 12 months.
- Your gut tells you that something is "off."

Such down-to-earth advice, coupled with the author's constant reminder—"It's your money!"—makes this book not just an enjoyable, easy read but also an invaluable tool for nurturing your own thoughtful giving.

THE T. ROWE PRICE PROGRAM FOR
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