

Good Housekeeping

How to Donate: Smarter Giving Starts at Home

Learn how to donate money to charity with your heart *and* your head.



BY [PENNY MUSCO](#) PUBLISHED: OCT 24, 2022



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Inspired by my frugal-yet-bighearted parents, I started donating to charity as a young adult, and I'm not alone: a [2013 study](#) confirms parental giving patterns influence their children. At first, I followed their example of donating to my church, local food banks and relief organizations like the Salvation Army. But it wasn't until I started working at nonprofit radio stations that I began to wonder where that money actually goes.

As a result, I began scrutinizing the organizations where I sent my dollars more carefully, searching out reports detailing income and expenses. I discovered websites such as [Charity Navigator](#) and the Better Business Bureau's [Wise Giving Alliance](#) that provide objective ratings and other resources to help donors make informed decisions.

While these charity watchdogs differ slightly in their criteria, I learned that donors should look for two important details: how much of the nonprofit's total income goes directly toward its mission (65-75% is ideal), and the portion spent on fundraising (generally no more than 35%). In a changing charity landscape, directing your money carefully is more important than ever.

American giving is evolving

These days, charitable giving is changing: COVID-19, the rise in income disparity and societal factors all have altered the way Americans donate. [Giving USA 2022: The Annual Report on Philanthropy for the Year 2021](#), found that last year, Americans donated an estimated \$484.85 billion to approximately 1.5 million U.S. charities. That's a 4% increase over the year before, and "is closely tied to the events of 2020, a historic year that included a global pandemic, economic crisis and recovery, efforts to advance racial justice and an unprecedented philanthropic response," notes Laura MacDonald, CFRE, chair of Giving USA Foundation and Principal and founder of Benefactor Group, a financial services organization for nonprofits.

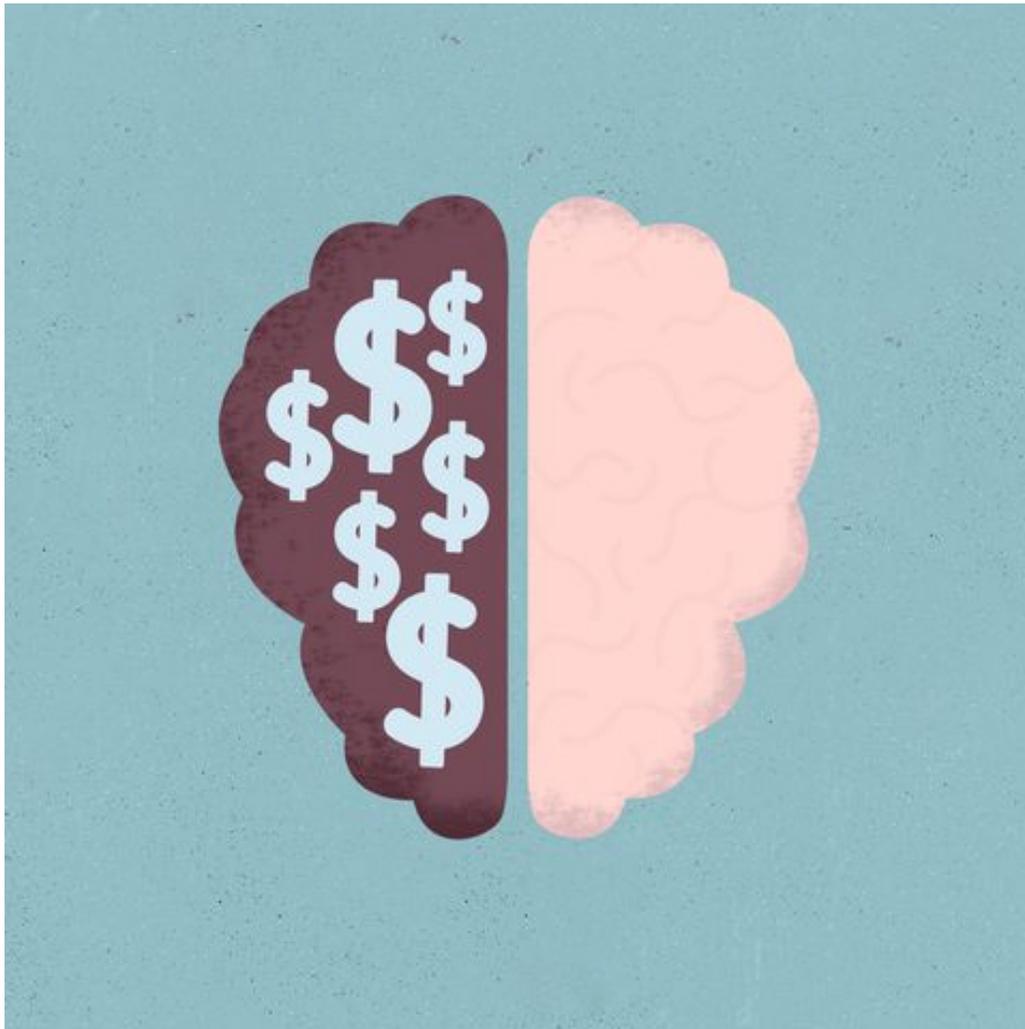
The report also shows that giving by individuals, the primary source of all charitable donations, fell below 70% of the total in 2021 for the fourth year in a row. At its height 40 years ago, that figure was 83%. A move away from traditional means of giving explains part of that shift, says Una Osili, Ph.D., associate dean for research and international programs at the Lilly Family School of Philanthropy.

"We've also seen, during the pandemic, an uptick in different ways people are giving," Osili observes. That includes supporting local businesses by paying for services they themselves weren't using (an example Osili gives is booking an Airbnb as temporary housing for Ukrainian refugees) or sending money directly to a friend who needed a financial boost. Social media increasingly plays a big part in this: About a third of Americans gave through crowdfunding sites, such as GoFundMe, instead of directly to charities.

A decline in giving spells trouble for charities

At the same time, however, a troubling trend has emerged: The share of *all* Americans participating in charitable giving has fallen to around 50%. “It used to be that more Americans gave than voted, but that’s no longer the case,” MacDonald says. “And that is worrisome for a couple of reasons. One is that if the ‘everyday household’ isn’t making regular gifts to a charity, then it’s unlikely that they’re going to start giving if they grow wealthier, or that they’re going to include a charity in their estate plan.”

This shift stokes fear in the philanthropic community that average Americans are becoming disconnected from charities. “For much of our history, giving has been very broad based—all different incomes, race and ethnic backgrounds have participated,” Osili says. “We need to make sure that giving continues to be part of our communities.”



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Know where your money's going

Within this changing landscape, one thing remains more important than ever, especially for individuals who are giving from a thinner wallet than they may have been in years past: It's important to follow the [Federal Trade Commission](#)'s advice and think first, send money later.

To find the [best charities to donate to](#), first ask yourself what you really care about, what problems keep you up at night or what issues your kids talk about. Then do an online search for each topic — such as homelessness or racial justice — adding words like “charity,” “review,” “rating,” and yes, “scam.” If, for instance, you Google “homelessness,” “charity” and “review,” Charity Navigator will pop up with a list of nonprofits that address that issue, the rating it assigns to each, plus a link to an in-depth analysis of the charity's finances and impact, among other measures. When considering a donation to a crowdfunding site, make sure you know (and trust) the person who's posting the cause and asking for contributions, since crowdfunding sites don't confirm where the money goes. If it's for a nonprofit, run its name through the vetting organizations' sites as well.

Watch your giving method

Donations should never be made with a wire transfer or gift card; be extremely wary if a charity asks for cryptocurrency. Stick with giving by check or credit card and if doing so online, verify “https” is in the web address when entering your payment information. That way you can track your statements to confirm you're only charged the amount you agreed to donate. And if you're hounded by unwanted solicitations, sign up with the FTC's [National Do No Call Registry](#); it's also where to report those who don't follow your wishes.

Use your online resources

Finally, know that a number of organizations are here to help you determine whether a charity is using funds in the way givers intend. Using at least one of the following organizations can help augment your research:

- The [IRS](#) lets you check if contributions to a nonprofit are tax deductible, if you itemize on federal Form 1040, Schedule A (some political donations, for example, are not).
- See if your state has a [charity regulator](#), to make sure the nonprofit is registered to do business there; this is especially important to weed out unscrupulous phone and mail appeals.

- Charity Navigator’s [“Hot Topics”](#) page lists natural and man-made causes in the news, and organizations addressing them that are ranked as “extraordinary at what they do,” and where your dollar “will go the furthest.”
- Search the database on [GuideStar](#), now part of [Candid](#), for Form 990s, paying attention to revenue spent on programs versus fundraising, and also to find nonprofits by name or location.
- The BBB Wise Giving Alliance’s [Tips for Donors](#) covers a slew of giving categories, including car donations, sweepstakes and child sponsorships.

“Donors have an opportunity to make a difference in their own neighborhoods and their own communities,” Osili asserts, not only with money but with time, talents and voices. “Being part of solving the problem can provide a lot of agency in this very turbulent period we’re living in.”

[PENNY MUSCO](#)
CONTRIBUTING WRITER

Penny is a freelance writer and author of *Life Lessons from the National Parks: Meeting God in America’s Most Glorious Places*, and *The Christmas Child*, a historical romance novella. She was an Artist in Residence for the National Park Service, and regularly gives talks about the parks.