

Giving it away

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By Sarah Murray

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When the influential investor Warren Buffett decided it was time to give away much of his \$44bn fortune, he gave most of his money to the Bill & Melinda Gates Foundation, the non-profit organisation set up by the Microsoft founder and his wife. "I'm a big guy on outsourcing," Buffett told PBS television.

For Buffett, the decision was easy. When other people can do a better job, he lets them do it for him. But for others, choosing whether to set up a foundation or give money to an existing charity may not be as clear cut.

"The personal nature of philanthropy makes it complicated and messy, and there's not necessarily a one-size-fits-all answer," says Tom Tierney, chairman and co-founder of the Bridgespan Group, a consultancy that serves the non-profit sector.

Some philanthropists may have particular causes that are dear to their hearts. Others may want to tackle broader issues, such as homelessness. Other still may decide simply to hand over money to an organisation, whether it is their local church or the United Nations World Food Programme, in which case conducting due diligence on their chosen charity or foundation is essential. Too often donors fail to take this seriously, says Jeffrey Solomon, president of the Andrea and Charles Bronfman Philanthropies and co-author of a new book, *The Art of Giving*.*

"If people tried to make their money the way they gave it away, we'd have very poor economies," he says. "And if the same due diligence principles of business ... were applied to charitable giving, we'd see far greater results coming out of the non-profit sectors."

Those who decide to set up their own foundation or non-profit organisation will incur costs – they will need to hire staff and pay for accountants and advisers, all of whom eat into philanthropic funds.

Rather than use these funds on running organisations that may replicate the work of existing bodies, some argue it would be better to pool resources – particularly in a downturn when funding is being squeezed.

"If there are significant duplications in services being offered by organisations, it might be time to think about encouraging collaboration," says Salvatore LaSpada, chief executive of the UK's Institute for Philanthropy.

Other models lie somewhere between making a donation and establishing a foundation. Donor-advised funds allow patrons to give their money to a community foundation, avoiding the cost of setting up a charity while retaining control of that money. In the UK, the Bulldog Trust manages charitable donations for wealthy individuals who would rather not figure out tax rules or pay administrative fees.

However, not all philanthropists want to give their money to others to manage. There is a case for having many organisations trying to tackle a problem, argues Solomon. "Often it feels like reinventing the wheel," he says. "But you need to think about the difference between duplication and redundancy – when I get on a plane, I'm grateful they've reinvented the wheel many times on that plane, and the same should be true of our social sector."

Solomon adds that individuals who set up their own foundations can act as entrepreneurs. He cites Dress for Success, a US non-profit project that provides interview suits and career development to low-income women. It was founded by Nancy Lublin with a \$5,000 inheritance. "Nobody was doing that before," Solomon says. "That's now been replicated throughout the western world."

But most importantly, would-be donors should identify what is driving them to become a philanthropist. First, figure out what it is you're trying to achieve and then, given those objectives, what the best mechanism for achieving this is," says Solomon.

* *The Art of Giving: Where the Soul Meets a Business Plan* by Charles Bronfman and Jeffrey Solomon (Jossey-Bassi)

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Warren Buffett

Recession donating

In its report Giving in the Recession, the Institute for Philanthropy offers 10 tips on how to make giving more effective in tough times.

Strategic tips for funders:

1. Research thoroughly. Find out what is most needed in tough times and avoid duplicating what others are doing.
2. Fund collaboratively. Pooling resources can make funds go further.
3. Work to influence public policy. Advocacy can leverage philanthropic dollars by promoting policy changes.
4. Promote partnership and mergers. Joining forces can be a way to stay afloat when funds are diminishing.
5. Build on relationships with grantees. Mobilising your contacts can help grantees through difficult times.
6. Support general operations. An unrestricted loan can help a struggling non-profit organisation.
7. Consider adopting a spend-down strategy. Choosing to give away a fixed sum during a specified time can have maximum impact at a time when it is needed most urgently.
8. Evaluate grant making. Ensure that what you are donating is being well spent and meeting your objectives.
9. Power your assets. Consider investments that simultaneously provide a return and work to create social impact.
10. Transfer innovations across geographies. Use funds to replicate tried-and-tested ideas.

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