Quick Experiments in Bolder Giving

Adapted from "How Much to Give?" (More Than Money Journal, *Issue #20), by Anne and Christopher Ellinger. See CivicReflection.org for more than forty back issues of* More than Money Journal.

Many donors have asked us for quick-and-easy ways to experiment with giving levels. Although we advise people to systematically consider their current and future financial needs, we know that not everyone will make time for such a thorough process.

Here, then, we share some of the giving experiments that creative givers have tried. We illustrate each option as though implemented by a fictional character: Julia Harlow, single, age 32, freelance software consultant with net earnings of $50,000 a year who also inherited $1.4 million from her grandparents. (Your financial situation may differ dramatically from hers, but some of the ideas for giving may still be useful.)

Earnings-Focused Options

1. **Give a percentage of earned income.** Julia's grandfather taught her the value of tithing 10% of her income to give away, saving 10%, and spending the rest. Because her inheritance now takes care of her future retirement needs, Julia started giving 20% of her earnings (her original 10% plus the 10% she was stashing away).
2. **Connect your giving to your spending.** When Julia does extra "luxury spending" she puts the same amount into a giving fund. This year she matched her bi-weekly massages and her weekend get-away to Aspen. She also noticed that almost all her peers were buying pricey home-entertainment centers. Because she's happy with her old TV, she put into her giving fund the several thousand dollars saved by forgoing that expense.
3. **Treat your nonprofits as "another child."** Julia asks her friends with children how much on average they spend for a child annually, plus how much they put aside for college and other major expenses. Julia gives that much to the nonprofits of her choice.
4. **If you have ample investment income, give all earnings.** Over several years, Julia's inheritance has netted her $50,000 a year in investment income, while her living expenses have been $45,000. Given that her earned income has fluctuated over the last few years, she decides to live on the more dependable investment income and donate all her earned income.
5. **Give "windfall" income.** In addition to other giving, Julia has a special giving account into which she puts financial windfalls. Last year this included: $11,000 from her grandmother, $2,000 finally returned from a loan she had written off, $50 from being let off the hook for a speeding ticket, and $12,000 gained from changes in the tax law.
6. **Add your anticipated tax deduction to your gift.** Julia plans to donate $20,000 this year to charity. Her anticipated tax savings from charitable deductions would be $5,000, so she adds

this amount to her gift, enabling her to increase her donation without additional out-of-pocket costs.

8. **Give to the point of feeling uncomfortable.** Julia decides she can afford to be more generous but doesn't know exactly how much. She tries out an experiment of giving a little more each year, until she feels just a bit uncomfortable–and then evaluates it the following year. In the first year she gave 20% income, in the second 25%, in the third year 30%; in the fourth she went back down to 25%.

Asset-Focused Options

1. **Give all investment income.** Because Julia's earnings more than cover her current living expenses, and because she enjoys the feeling of supporting herself, she contributes to charity all of her investment income.
2. **Give appreciation.** This past year, Julia's portfolio gained $92,000 in value. Judging her current assets as already ample, after subtracting the rate of inflation (3% of her $1.4 million, or $42,000) she adds this amount to her giving budget.
3. **Give by forgoing appreciation.** Julia decides to move half of her assets into secure, community development loan funds at 3% interest (the rate of inflation). The loan funds enable people in low-income communities to start businesses and buy homes. By receiving 3% rather than the 6% return on those assets she had been getting over time on average, she is in effect donating $42,000 a year.
4. **Include your realized capital gains in your income calculations.** This year, Julia's portfolio saw $50,000 in realized capital gains (because her investment managers advised selling some stock which had gained in value). Even though those gains were reinvested, Julia includes them as income when she calculates how to give 10% of income.
5. **Give assets you feel comfortable giving.** Julia's portfolio has grown by $400,000 since she inherited it. She decides, as a first step, that she can comfortably give $100,000 into a donor-advised account without sacrificing her future goals of child-rearing and retirement.
6. **Give expected inheritance.** Julia discovers her parents plan to leave her another $8 million which she does not need. She realizes it will not only be emotionally easier to donate that money now, but that giving it will save considerable estate taxes. At Julia's encouragement, her parents change their will to direct Julia's portion into a charitable fund that she and her siblings will disburse.

In addition to the giving experiments above, we sometimes encourage people to try giving far less than they habitually do, or to take a deliberate break from giving altogether. For people who give compulsively (perhaps out of guilt, or because it gives them an identity, or because they can't say no) it can be fruitful to experiment with giving nothing for a discrete period of time, to see what feelings and insights arise.

Which of these experiments attract you? Are there any you have tried? What's one next step you could take towards implementing a new level of giving?