Charitable Contributions

**Standard 14**

*The student will explain the costs and benefits of charitable giving.*

**Lesson Objectives**

- Identify different types of charitable contributions.
- Describe examples of charitable giving in local communities and the state.
- Use cost/benefit analysis to analyze the impact of charitable giving on individuals and society.

**Personal Financial Literacy Vocabulary**

Charitable giving: The act of giving to charitable organizations or to those in need.

Cost/benefit analysis, risk/reward relationship: A tool used to choose among alternatives that involves weighing the cost(s) of a product or service against the benefit(s) it will provide.

Gifts in-kind: A non-cash contribution to a charitable organization which can be given a cash value.

Tax deduction: An expense that a taxpayer can subtract from taxable income. Examples include deductions for home mortgage interest and for charitable gifts.
Introduction

Bert and Jace are both in the school’s marching band and are excited about a trip to NYC for the Macy’s Thanksgiving Day Parade. After all, only a few schools are invited to march in the parade. Mr. Mason, the bank director, says they have to raise to the money to go. He is okay if parents want to donate to the general fund for everyone’s benefit, but he thinks it is important that everyone participates in the fundraising. Why do you think Mr. Mason wants to raise the money for the band instead of just asking parents to pay for their kids to go? What are some potential activities the band can do to raise money?

Lesson

Charitable contributions are a big part of society today and come from a variety of sources. Some people prefer to give money, some like to volunteer, and others enjoy making donations such as food, clothing, or other types of goods. People give for many reasons, but the number one reason is that it makes them feel good to help others.

Andrew Carnegie, one of the most famous American philanthropists, donated funds for libraries all across the United States. In 1889, he wrote an essay about what wealthy people should do with their money, saying that people have a moral obligation to give to others during their lifetime. However, giving to charitable organizations or worthy causes is not just for those with a lot of money. It is something everyone can and should do.

Charity provides aid to those in need and non-profit organizations are essential for our communities to thrive. They provide services and resources to people that would otherwise not have access to these opportunities or the same goods or services would be available by a for profit business for significantly higher costs.

Charitable giving is rather simple, and it does not always involve money. You can give something of value to an organization that provides services to other people for little or no cost. Or, you may decide to do something nice for someone who needs help like opening the door for your mom or carrying in the groceries for an elderly neighbor.

Monetary gifts can range from a few dollars given to a school fundraiser to millions of dollars donated to build a new building for a local food bank. Regardless of the size, cash donations are the most frequently used form of charity. You and your family have probably contributed to at least one local fundraiser in the past few months.

Donating time is also a common form of charitable giving. Oklahomans, like others in the United States,
provide thousands of hours of their time to various organizations. In fact, people in the United States give away the largest percentage of their personal income and have the largest percentage of volunteers of any country in the world.

Another way to contribute is by making an in-kind contribution, which means donating a non-cash item that has value to the organization. An example would be cleaning out your closet over the summer and donating the clothes you no longer wear to a nonprofit group or to a school group that is having a garage sale to raise money for a trip.

For many families, involvement in faith-based organizations is the primary source of charitable giving while others may prefer donating to groups that assist people after a natural disaster. There are numerous opportunities for people to donate or be involved. Whether you give money, time, or other resources to a church, synagogue, or mosque; serve food at a homeless shelter; or volunteer to clean trash from the highway, you have participated in giving back to your community.

Why Do People Give?

While research shows people give because it makes them feel good to help others, they generally support the mission or purpose of the organizations, groups, or causes where they donate. They believe the organization is doing good work, and it is their way of showing their support for what the group represents.

Different organization or groups have different missions. Some of the most common include:

- Reducing human or animal suffering;
- Promoting justice;
- Building a sense of community;
- Supporting human potential and fulfillment;
- Advancing experimentation and change; and,
- Educational progress

REMINDER

Charitable giving is rather simple, and it does not always involve money. You can give something of value to an organization that provides services to other people for little or no cost.
Costs and Benefits of Charitable Giving

Participating in volunteer activities, making donations to organizations, and providing in-kind contributions can be very rewarding and even fun. While there is a direct cost associated with giving away time and money, the benefits tend to outweigh any direct costs. However, any cash donations — whether to faith-based organizations such as churches, the American Red Cross in times of disasters, or any other organization and cause — should be a part of your spending plan. When built in to your budget, they become a part of your regular monthly expenses like any other item in your spending plan. If not, your charitable contributions can become an emotional or impulsive decision and have a negative impact on your personal finances.

Giving away money or other resources to an organization is a cost because those resources are no longer available to you, and they are a benefit to the organizations receiving them. At the same time, you receive the benefit from feeling good about your decision to help the organization or the people it serves.

Depending upon your level of income, you may be able to deduct charitable contributions from your personal income taxes. Tax deductions allow you to subtract certain charitable contributions from your personal income taxes. Although some people see that as an incentive to donate, not all contributions qualify for deductions. If you plan on using donations as a tax deduction, you will need to check the criteria on the Internal Revenue Service (IRS) Web site or ask the organization to provide evidence of meeting the criteria. The official address of the IRS Web site is http://www.irs.gov. Be careful about checking fake IRS Web sites ending in anything other than .gov.

Conclusion

Charitable organizations are an important part of our society, and being involved is a great way to contribute to their mission. Giving can make you feel better about yourself, make you feel like you are a part of a bigger purpose, and/or satisfy your desire to give back to your community. Some people enjoy the recognition they receive from being involved in charitable work, while others prefer to be anonymous with their donations.

Regardless of the reasons people give, charitable contributions can be used to help others who need help. Making cash donations is only one way to be involved. If that is what you choose to do, be sure you have included that amount in your monthly budget. Otherwise, it can have a negative impact on your ability to reach your financial goals. Even if you have limited financial resources, you can still find ways to contribute by donating your time or your talents, or by making in-kind contributions.

FINAL NOTE: Mr. Mason met with the band members and their parents to set a plan for raising the money to go to New York. He also asked that every student and every parent make the commitment to participate in at least one of the following events:

1. Holding a big garage sale with donated items from across the community.
2. Having a table at Willy’s Word Markets every Saturday morning to sell popcorn and ask for donations.
3. Holding a raffle on a new TV donated by TV Superstore.
4. Asking local businesses to donate and, in return, having their names printed on the back of T-shirts worn by all of the band members.
Charitable Contributions Review 14.1

Answer the following questions and give the completed lesson to your teacher to review.

1. List five ways that you can contribute to your school or your community.
   1.
   2.
   3.
   4.
   5.

2. Identify two reasons that people participate in charitable organizations or causes.
   1.
   2.

3. Identify one benefit and one cost of making charitable contributions.
   Cost: __________________________________________________________
   Benefit: ________________________________________________________
**My Giving Profile Activity 14.1**

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<th>Type of Contribution</th>
<th>Reasons for Participating</th>
<th>Benefits from Participating</th>
<th>Costs from Participating</th>
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Do you volunteer with an organization in your school or community? Do you contribute financially to an organization, either locally or nationally? If you have been involved, what type of contribution did you make (money, time, or in-kind) in the past year? Have you thought about why you do (or do not) participate in charitable activities? What do you gain from participating? (If you do not participate, explain your reasons for choosing not to do so.) Complete this grid by listing the organizations where you contribute either with time, money or in-kind donations, the reasons you choose to participate, and what you gain from participating.

If you have costs, why do you continue donating or participating?