

Plan to make a difference

Effective giving is all about timing. Consider when your favorite charity is in most need of support, and plan to fill the funding gap.

Many of us face indecision about when to donate money to our favorite charities: at year-end, only when they ask, all at once, over time? Often, our choice of timing is dictated by a tax deadline. Donor-advised funds change this equation. Because a donor-advised fund is itself a charity, donors may claim a charitable deduction when they contribute to it. Later, when the timing is right, donors may recommend grants to the other charities they support, offering donors the freedom to engage in thoughtful philanthropy.

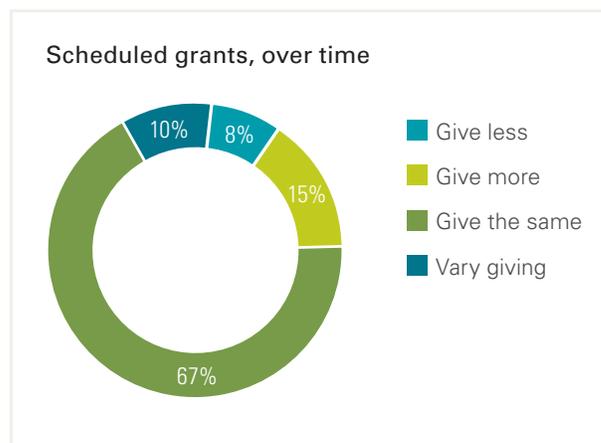
The right time to give is different for every donor. It is based on an assessment of your philanthropic goals, budget constraints, desired gift amount, and the mission-driven needs of the charity you want to support. For example, a larger gift may help meet a campaign goal, while smaller, paced gifts may encourage better budgeting by the charity over the long term. The time of year you give, such as during peak donation season or low funding season, also affects a gift's impact. Even the best laid plans can be brushed aside in the face of an emergent, critical need. Determine the timeline on which your charity needs your gift the most, and adapt your giving plans accordingly.

Schedule your giving

About 40 percent of grants from Vanguard Charitable are issued on a schedule, whether monthly, twice a year, or in a majority of instances, annually.¹ Of those grants, two-thirds are for the same amount each time. The individuals who initiated this giving have made a commitment to recommend grants on a regular basis. Just as relevant, they have determined in advance and budgeted out a specific amount to give.

If, like these donors, you know how much you want to give, consider whether scheduling your giving—pacing it out over several years—is more or less beneficial than giving a lump sum, one-time gift up front.

On the following page, compare two options for scheduling your giving.



¹ Based on the time interval between two or more grants issued from a respective account to the same nonprofit organization between July 1, 2012 and June 30, 2015. Change in gift size is based on the first, median, and last grant in the respective time period.

Scheduling grants: Side-by-side comparison

Assume a donor wishes to recommend \$10,000 in grants to Charity X.
Does it make a difference if all the funds are granted at once or scheduled over a multi-year period?

vs.

Option 1: Grant a single, lump sum to Charity X

Year 1
\$10,000

Large, one-time gifts are most appropriate when the donor is confident in the abilities of the recipient charity and feels a strong commitment to the cause. Upon receipt of the gift, the charity is responsible for stewarding the assets and delivering on the funding requirements—whether that’s a specific project or general business operations. With a large gift, the charity can focus less on cultivating additional gifts or processing donations and more time on fulfilling its mission. Because all the funds are provided up front, the charity must find ways to stay engaged with and further cultivate the donor.

Option 2: Schedule annual grants to Charity X

Year 1 \$2,500 ▶ Year 2 \$2,500 ▶ Year 3 \$2,500 ▶ Year 4 \$2,500

Regular, paced gifts enable the donor to invest in the cause and adapt his giving as he learns how the charity can best use the funds. A donor-advised fund invests the remaining dollars for grants in subsequent years, opening the door to growth and, therefore, extra grants in the future. With this approach, the charity can plan accordingly for budget needs, considering how the gifts can best be leveraged in future fiscal years. Charity representatives are consistently engaged with the donor, allowing them to build a sense of community around the cause. Over time, a regular donor may become their greatest funder.

37% 

Donor doesn’t communicate long-term plans; a charity may swiftly spend down money in anticipation of similar gifts in the future.

When a charity has a critical need, a donor may opt to chip in. For example, aid organizations require rapid and hefty funding when natural disasters strike.

Charities that prefer this scenario²

Why it fails

Exception to the strategy

 63%

Donor doesn’t communicate plans to charity; charity’s planning isn’t optimized and scheduled gifts aren’t built into the budgeting process.

As a donor gets to know a recipient charity through regular grants, he may be asked to showcase that relationship by recommending a lead grant in a campaign or helping with larger projects—in addition to any annual gifts.

² Based on 2014 survey of 720 nonprofit organizations that received grants from Vanguard Charitable at any time between 1997 and 2014; 95% confidence level.

Time your giving

Individuals are able to recommend grants to support their favorite charities as soon as they contribute to a donor-advised fund. For example, donations made at the end of the year may be granted at any time in the subsequent year, including the beginning. Despite the fact there are no tax advantages for granting from a donor-advised fund at year-end, most donors continue to consolidate their recommendations then, at the same time nonprofit organizations receive the bulk of their funding. This can make budgeting difficult for charities and puts tremendous pressure on them to raise as much money as possible during the short year-end window.

Individuals can certainly make one-off gifts or grant recommendations, especially during high solicitation periods, or in response to urgent community needs. However, when it comes to charities we favor, we should understand when they most need funds, and then consider giving on that timeline.

Late summer months are notoriously low funding periods at charities. Nonprofit organizations are six months out from their peak donation period (December), and yet have half a year of operations and projects to fund. Depending on your favorite charity's fiscal year, funding cycles, and campaigns, this low period may vary. With a donor-advised fund, you have the opportunity to fill in when giving has fallen off of many other donors' radars. Why not consider what time of year your charity needs you the most, and give then instead?

Giving periods at a donor-advised fund in an average year³



CONCLUSION

The needs of nonprofit organizations vary, as do donors' abilities to fill those needs. To be effective within your giving constraints, consider the timing of your gifts and grant recommendations—both the month of the year and the pacing. You have the potential to fill gaps in the charitable giving space by taking time to give at the right time.

For tips on scheduling your giving,
visit vanguardcharitable.org/effectivegranting

³ Average year is based on an average of Vanguard Charitable grants from fiscal year 2005 through fiscal year 2014.