

## **Needy get a smaller slice of charity**

### **Less than one-third of individual gifts help those on the lowest rungs of society**

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For most Americans, "charitable giving" connotes donating their resources to help those who are less fortunate to better their situation.

Yet how much of charitable giving actually goes to benefit the neediest in society? According to recent studies, much less than most people expect.

Not quite one-third of the money donated by individuals in 2005 (30.6 percent) went to help the economically disadvantaged, according to a 2007 study sponsored by Google. And only 15.7 percent of foundation funds were given to aid programs in low-income communities.

This divergence at a time of rising economic uncertainty and government cutbacks has stirred renewed debate within the nonprofit sector and raised concerns in Congress. As the gap widens between the well-off in America and those on the lower rungs, should individuals and foundations respond more to those in greatest need? Is that what philanthropy is about?

In Congressional hearings this fall, Rep. Xavier Becerra (D) of California questioned whether gifts to such institutions as art museums and universities should receive the same tax benefits as contributions to charities that help the poor. Some senators, meanwhile, have questioned whether foundations that seem to be building up their assets rather than distributing funds should be required to give out more than the 5 percent of assets the law now requires.

In recognition of pressing needs, some in the world of philanthropy are taking steps to reorient their funding practices. Under the leadership of Rip Rapson, a former deputy mayor of Minneapolis, the \$2.9 billion Kresge Foundation in Troy, Mich., has defined a new values-based strategy that includes encouraging "low-income opportunity."

In a July speech to educational leaders, Mr. Rapson talked of "the economic bifurcation of America," and the need for philanthropy to serve as "society's social venture capital."

"I wish more foundations would take that proactive step," says Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy. "Grantmaking targeted for the neediest populations is steadily declining as a proportion of overall giving."

Not all see the picture quite the same way. "Should philanthropy take a greater percentage

focus on lower-income groups? I don't think so," says Paul Schervish, director of the Center on Wealth and Philanthropy at Boston College. People should "work on the government to do that."

While helping the neediest is part of what philanthropy is about, he adds, there are many ways to contribute. For instance, those at the upper end are often subsidizing those with lower incomes – such as donating to museums that children in inner-city schools can attend.

"There is also what I call 'consumption philanthropy' in which you give to organizations you and your family benefit from, such as your church or the symphony," Dr. Schervish adds.

Karen Pittleman agrees that philanthropy wasn't created to move resources to people in need. "For many, it was a tax write-off," she says. "Before 1969, foundations weren't even required to give money away."

But she says many young people of wealth are now signing on to "social change philanthropy," because they see growing needs, and their values tell them they have a role to play. "Right now nearly everyone is turning their backs on low-income communities and people in need. The safety nets built up over years are being dismantled," she says. So Ms. Pittleman decided to "put my money where my mouth was."

When she received a \$3 million trust fund in 1999, she got busy identifying capable women in low-income neighborhoods in Boston, and helped them create the Chahara Foundation, which the women now run themselves.

She then became program coordinator at the Resource Generation, which helps young people who want to engage their families' foundations in promoting social change. As the pool of the wealthy has expanded, the number of family foundations has risen 60 percent in six years.

"Most leadership in family foundations is wealthy and white – only 2.2 percent of trustees are people of color," she says. "And people generally give to organizations and causes they know about." She has co-written a book to enable them to broaden their reach, called "Creating Change Through Family Philanthropy."

Yet as her own experience demonstrates, it is individual as well as foundation action that can make a difference.

In the US, individual giving amounts to more than four times the combined total of foundation and corporate giving. In 2005, US households donated almost \$200 billion; foundations gave \$30 billion and corporations \$14 billion.

A recent Bank of America study on high net-worth individuals found that they have a huge impact on charitable giving. They give a larger percentage to education, the arts, and foundations than other households, and a smaller percentage to basic needs. Higher education receives 63 percent of gifts of more than \$10 million.

The Google study on patterns of household giving, conducted by the Center on Philanthropy at Indiana University, found that of the 31 percent of individual donations that went to help the needy, 8 percent was for basic needs (food, shelter). Some 23 percent (from all sources) went to other programs for the poor, such as medical treatment and literacy.

For donors who want to target their contributions in this direction, the biggest obstacles, many say, are lack of information about nonprofits and concern that their money may not be well spent.

To help remedy this, the Neighborhood Funders Group (NFG), an association of 260 foundations, and the Aspen Institute have created the Community Giving Resource . "We wanted to provide individual donors and small foundations with information and knowledge that would help them make smarter, strategic decisions about giving in low-income communities," says Spence Limbocker, NFG's executive director. "There's a feeling that a small grant can't make an impact, but we show it can."

The number of nonprofits in the US has soared in recent decades to more than 1.5 million. That means more competition for funding, making it still tougher for low-income and minority groups. The Community Giving Resource aims to connect donors to good local organizations.

"People associate big gifts from foundations with generosity, but the most generous giving often happens from people with the least amount of money," Pittleman says. "Individual grassroots giving that is done with respect is the key."

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