'Tis the Season for Giving

by Steven J. DAWSON

No matter what traditions you hold around the holiday season, there is one we can all share: The importance of giving to those less fortunate than ourselves. Charitable giving can be one of the most satisfying aspects of a financial plan—and it may even have a feel-good impact on your year-end tax liability.

Some charities, however, devote too many resources to marketing campaigns and exorbitant overhead and not enough to the cause. So, how do you know if a charity is doing right by your donation?

Forbes.com reports that charitable giving grew 4.9% in 2013, with digital donations making up 6.4% of the overall amount. And, with households giving an average of 1.9% of their after-tax income each year, according to an annual report conducted by the Indiana University Lilly Family School of Philanthropy, it can be important to make sure your dollars are used effectively to make a difference.

Before you open your wallet or spend one of your weekends volunteering this holiday season, check out the websites below for a look at the inner workings of your favorite charities:

Guidestar.org contains records from 1.8 million nonprofits registered with the IRS, with access to each organization's Form 990, a document that details nonprofits' income, spending, mission and executive salaries.

The Better Business Bureau Wise Giving Alliance generates free reviews of more than 1,300 charities every two years. Local BBB websites provide evaluations on an additional 10,000.

CharityNavigator.org provides ratings (four stars being the highest) on the charities it follows, based on financial health, accountability and transparency. Of the three websites listed here, this is widely recognized as the easiest to navigate and understand.

Of course, the best way to get to know how a charity works is to spend time with it. By volunteering, you will be privy to an insider's view of the organization's people, practices and impact—and feel confident that your money and time can truly make a difference. Consider taking the kids with you and creating a family charitable tradition you can pass down through the generations. You may see firsthand the value and effectiveness of your charitable gift at work. ❖

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