



the
GIVING
issue



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Things that make you go hmmm....

WHO GIVES THE BIG BUCKS?

More than 80% of the money given to charities comes from individuals.

WHO SAID ANYTHING ABOUT TAX DEDUCTIONS?

Donations to charities are NOT always tax-deductible.

CHARITY OR SCAM...

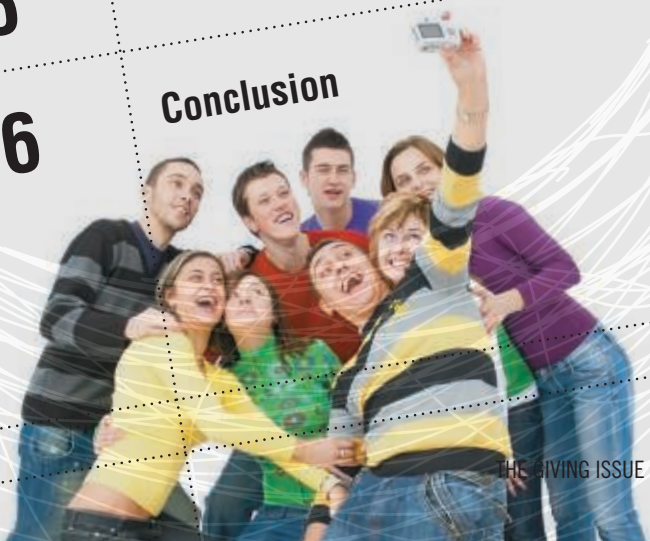
All charities are not reputable - do your homework.

THE GIVING

ISSUE

Table of Contents

2	Introduction
3	Terms to Learn
4	Charities
5	Selecting A Charity
10	Tips for Giving Wisely
14	How to Donate
15	Planned Giving
16	Conclusion



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INTRODUCTION

Charitable organizations, which provide benevolent, educational, philanthropic, and services, fulfill a valuable role in society.

More than 80% of the money raised by charities comes from individual donations. Giving to charity is a way for us to help the less fortunate by volunteering our resources, even if we cannot

volunteer our time. There are many reputable charitable organizations, but you must be aware of possible scams or bogus charities. Most charities are honest, well-run organizations; however, a small number try to take advantage of the goodwill and generous nature of people who want to contribute to worthy causes.



TERMS TO LEARN

American Institute of Philanthropy (AIP)

A nationally prominent charity watchdog service that helps donors make informed giving decisions.

Charity

An institution, organization, or fund established to help the needy. The act of giving to an institution to serve the needy.

Philanthropy

The effort to increase the well-being of others through charitable aid or donations.

Planned Giving

Refers to a charitable gift which requires the assistance of a professional staff person, a qualified volunteer or the donor's advisors to complete. In addition, it includes any gift made by a donor in estate or financial plans.

Tax-deductible

Contributions to a charity that can be deducted on a federal income tax return.

Tax-exempt

Not subject to taxation, such as the capital or income of a philanthropic organization.



CHARITIES

A charity is an organization that is tax-exempt under section 501(c) of the Internal Revenue Code. To be considered tax-exempt, none of the earnings of the organization may profit any private shareholder or individual.

Also, the organization may not participate in any campaign activity for or against a political candidate.

Under the exempt purposes set forth in Section 501(c), charities can be established

for religious, educational, scientific, or literary purposes, or for testing public safety, fostering national or international amateur sports competition, or preventing cruelty to children and animals.

Well-known charities include United Way of America, Salvation Army, Shriners Hospitals for Children, American Cancer Society, Boy Scouts of America, American Humane Association, and ASPCA (American Society for the Prevention of Cruelty to Animals).



SELECTING A CHARITY

To assist donors in making sound giving decisions, standards for charities' accountability have been developed. These standards encourage fair and honest solicitation practices and to promote ethical conduct among charitable organizations. To ensure a charity has defined, measurable goals, charitable organizations shall have:

1. A board of directors that provides adequate oversight of the charity's operations and staff.
2. A board of directors with a minimum of five voting members.
3. A minimum of three evenly spaced meetings per year of the full governing body, with a majority in attendance.
4. No more than one person or 10% of the board (whichever is greater) can be directly compensated for serving as a voting member of the board.
5. No compensated members serving as the board's chair or treasurer.
6. An assessment of the organization's performance and effectiveness no less than every two years, and there will be a written report of that assessment.

To ensure the charity spends funds honestly and prudently, in accordance with the standards, the organization shall:

1. Spend at least 65% of its total expenses on program activities.
2. Spend no more than 35% of contributions on fund raising.
3. Avoid accumulating expenses that could instead be used for current program activities.
4. Make available to the public, on request, complete annual financial statements prepared in accordance with generally accepted accounting principles.
5. Include in the financial statements a breakdown of accurately reported expenses.
6. Have a board-approved annual budget.

To ensure that a charity's representation to the public is accurate, complete, and respectful, in accordance with the standards, the charitable organization shall:

1. Distribute solicitations and informational materials that are accurate, truthful, and not misleading.
2. Have an annual report available to all who request it. The report will include a mission statement, summary of the past year's program services, roster of officers and members of the board, and financial information such as total income, expenses, and ending net assets.
3. Clearly disclose how the charity benefits from the sale of products or services.

Note: The more informed you are about the organization, the more comfortable you will be donating your dollars.





Circa 1920



Circa 1930



Circa 1945



Circa 1999



Circa 2007

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Compassion.
Smart.

Picking out a charity can be difficult, especially with so many choices out there. Find a cause that you are passionate about and do the research. You may find that time, money, and effort goes a long way if you are fully invested in the cause as well.

Giving back to your community is important, no matter how small. Every little bit can make a big difference.



**GIVE.
SMART.**

TIPS FOR GIVING WISELY

Here are a few pointers to help you give more effectively.

1 Know Your Charity

Charities are obliged to provide detailed information to interested donors. Never give to a charity you know nothing about.

2 Ask for Written Information

Request written literature and a copy of the charity's latest annual report. This report should include a list of the board of directors, a mission statement, and the most recent available audited financial statements with accompanying notes. If a charity does not provide you with the information you request, you may want to reconsider your contribution.

Honest charities typically encourage your interest and respond to your questions.

3 Find Out Where Your Dollars Go

Ask how much of your donation goes for general administration and fund-raising expenses and how much is left for the program services you want to support. It is recommended that in most cases, 65% or more of the charity's total expenses should go to program services.

Less than 35% of related contributions should go to fund-raising costs. Keep in mind that newer charities and those that are working on less popular issues may find it necessary to spend a greater percentage on fund-raising and administrative costs than well-established, popular groups.

Seek more information about charities that identify large portions of their direct mail and telemarketing expenses as "public education." In some cases, this may be done to disguise high fund-raising costs.

Due to the inconsistent quality of charitable self-reporting, it may be difficult to find out the real percentage of donor dollars spent on program services.

You can ask the charity's representative for specific information, such as how many individuals were served annually or what were the major program accomplishments during the past year.

4 Do Not Respond to Pressure

Do not let yourself be pressured into contributing on the spot. If you are not familiar with a charity, request additional written information.

Inspect it carefully. You have a right to say no. No legitimate organization will pressure you to give immediately.



5 Keep Records of Your Donations

The IRS requires taxpayers to show proof of any charitable donations. The proof may be a receipt, a canceled check, or a credit card statement. No tax deduction will be allowed if the taxpayer cannot provide supporting documents as evidence of the donation.

When making monetary donations, guard your personal information carefully by taking these precautions:

Do not send cash. Always write a check, send a money order, or use your credit card, so you have an additional record of your donation.

Always make checks payable to the organization, not to the individual collecting the money.

Do not mail contributions to a post office box. A reputable organization will always have a physical address for receiving contributions.



6 Tax-Exempt vs. Tax Deductible

Not all charities soliciting for “good causes” are eligible to receive tax-deductible contributions.

“Tax-exempt” means the organization does not have to pay taxes.

“Tax-deductible” means the donor can deduct contributions to the charity on his or her federal income tax return. Request the charity’s IRS “Letter of Determination.”

If the charity does not have a letter indicating its status with the IRS, you cannot legitimately claim your contribution as a tax deduction.

IRS Publication 78, Cumulative List of Organizations, is an annual listing of thousands of tax-exempt organizations to which contributions are deductible as charitable donations.

As of January 1, 2007, you can no longer claim deductions for household items given to charity thrift stores, unless the items are in good or better conditions. Receipts are also required for ALL cash donations.

7 Do Not Be Misled

Some questionable charities use an impressive name which closely resembles the name of a respected, legitimate organization. Ask for information in writing.

Check out the charity with the AIP or other watchdogs, or check with your state charity registration office before making a contribution.

This office is usually a division of the state Attorney General’s Office. Registration in and of itself is not a stamp of government approval or endorsement of the charity.

8 Do Not Be Enticed

The “sob story” appeal is a favorite of some organizations.

Be doubtful of phone solicitors or direct mail appeals which tell you nothing of the charity or offer vague explanations for the destination of your charitable dollars.

9 Ask if the Charity is Registered

Nearly all non-chruch charities with more than \$25,000 per year in income must file annually with the IRS. Currently, 39 states and the District of Columbia require that charities register annually.

Keep in mind that registration in and of itself is not a stamp of government approval or endorsement of the charity.

10 Beware of Charities Offering Gifts

Direct mail solicitations are often accompanied by greeting cards, address stickers, calendars, key rings, or other “gifts.” Charities do this because it can increase donations. Do not feel that you have to make a contribution to keep these “gifts.”

It is against the law for a charity to demand payment for any unordered merchandise. Beware that these enclosed items can mean higher fund-raising costs for the organization.



11 Consider the Costs

When buying merchandise or tickets for special events, or when receiving “free” goods in exchange for giving, remember that these items cost money and generally are paid for out of your contribution.

Although this can be an effective fundraising tool, less money may be available for the charity.

12 Be Skeptical

If you have doubts about whether you’ve made a pledge or previously contributed, check your records. Be on the alert for invoices claiming you’ve made a pledge; some unscrupulous solicitors use this approach to get your money.

1 DONATE GOODS

Some charities need things like clothing, furniture, old cars, household goods, or canned foods. Many of these organizations pick up donations directly from your home, making it convenient to help others by giving items you are not using.

2 VOLUNTEER TIME

Many charities need people to volunteer their time to help with the many different services they provide, such as disaster recovery services, health care, or fundraising activities. Some charities need assistance with administrative duties like answering the phones or bookkeeping.

HOW TO DONATE

There are three basic ways to give to charity.

3 DONATE MONEY

Donating money is usually the easiest way to help charities. This module has discussed the importance of writing a check or money order to the charity or using a credit card to keep a record of your contribution, but there is another way to give monetary assistance. You can transfer ownership of assets to the charity itself. For example, if you own a non tax-qualified mutual fund, you can register the account directly to the charity and therefore transfer the ownership of the fund to the charity.

For example, let's assume there is a mutual fund account currently registered to (owned by) John Smith and Joan Smith.

John and Joan choose to register (transfer ownership) of this account to their favorite charity, XYZ Charity. Using the correct documents, the registration of the mutual fund will legally change to XYZ Charity. In this transfer of ownership, John and Joan Smith have made their monetary contribution to the XYZ Charity.

Transfer of assets is not limited to mutual funds. There are many other ways to help a charity such as donating land, family heirlooms, or even making your favorite charity a beneficiary for an insurance policy. Each charity has their own rules about what they can and will accept, so it is always wise to check with them first. More possible ways to donate are discussed in the next section on planned giving.



PLANNED GIVING

Planned giving is a way to make deferred charitable gifts, meaning the contribution is arranged now and fulfilled later. Planned giving is a complex program of various financial instruments that can be adapted to each donor's needs and it allows increased opportunities for giving. These gifts are beneficial because they can:

- **Increase income for the donor and others.**
- **Reduce the donor's income tax and avoid capital gains tax.**
- **Pass assets to family members at a reduced tax cost.**
- **Make significant donation to charities.**



Planned gifts include:

Bequest

A gift to charity at death. The donor's estate will receive a charitable estate tax deduction when the gift is made to the charity.

Charitable Lead Trust

This is a trust that receives cash or property from a donor and makes payments, either fixed or a percentage of principal, to a charity during a specified period of time. At the end of the trust term, the remainder is distributed to either the donor or a specified beneficiary.

Charitable Remainder Trust

This trust makes payments, either fixed or a percentage of principal, to whomever the donor designates, for a specified period of time. At the end of the trust term, the charity receives the remainder of the assets.

Gift Annuity

In return for a donation of cash or other assets, the charity agrees to pay a fixed payment for life to the donor or to another individual as determined by the donor.

Pooled Income Fund

A charity can accept gifts from many donors, invest them into a

fund and distribute the income from the fund to each donor in proportion to his or her share of the fund.

Retained Life Estate

A donor makes a gift of personal residence or farm to charity and retains the right to live there. The donor receives an immediate income tax deduction for the gift, and upon the donor's death, the charity can use or sell the property.



CONCLUSION



It is a noble gesture to contribute to charities for the benefit of the less fortunate, but it is important to ensure the charity you choose is reputable. Do your research before sending any money.

Make sure the money you donate is providing the services you expect it to. It is important to make charitable giving a part of your life, and your budget.