

The Top 7 Mistakes Canadians Make When Donating To Charity - Part IV



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In previous issues of “*Your Guide to Charitable Giving and Estate Planning*”, I wrote about mistake # 1 – not appreciating that your RSP or RIF will be your most highly taxed asset ... eventually. I also discussed mistake # 2 – not seeking professional help. Finally, I reviewed mistake # 3 – not considering your legacy. In this month’s guide I would like to review mistake # 4 – focusing on the wrong metrics.

One of the most frequent questions I was asked when I was the chair of a nonprofit was: *How much do you spend on overhead?* Although understandable and no doubt a key

question, this is nowhere near the most important question that should be asked of a charitable organization. Specifically, as a donor, shouldn’t you rather ask: *how successful are you as a charity in accomplishing your mission?* This is not to suggest overhead expense ratios are irrelevant. Keep in mind that information is not wisdom, and confusing numbers with key metrics can lead to some very bad decisions. Is it not better to support a charity that is impacting society positively for \$0.70 on the \$1.00, than donate to an organization that charges very little in overhead but gets nothing done? Asking the right question is often more important than hearing the right answer.

So what are the right questions?

Unfortunately, there is no one correct answer. Recently I came across a list published by The Global Journal, which has developed eight key metrics

to look for in a great philanthropic organization. I have been in and around the charitable sector for over 20 years and I have yet to come across a better methodology.

- 1. Innovation** Creativity in programming and fresh approaches to old problems.
- 2. Effectiveness** Delivery against objectives, with high quality external evaluations.
- 3. Impact Outcomes** over inputs – is the organization donor driven, versus self perpetuating?
- 4. Efficiency and value for money** Administrative overheads are reasonable, keeping in mind what Oscar Wilde once said, “A cynic is a person who knows the price of everything and the value of nothing”.
- 5. Transparency and accountability** An extremely high level of reporting.
- 6. Sustainability** Enduring impact and relevant problem solving.

7. Strategic and financial management Consistency of funding, including a well-developed self-evaluation process.

8. Peer review How is the organization perceived by other charities, and what awards and recognition have been received?

By applying the above eight metrics and utilizing them as a checklist you can’t help but find a quality organization.

For details on the remaining six mistakes Canadians make when donating to charity, please feel free to download my **Special Report** at:

www.philanthropymatters.ca

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“Efficiency is doing things right. Effectiveness is doing the right things.”

Peter Drucker