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US donors eye global causes

By Sarah Murray

On the Give2Asia website, projects offered to donors include education for Afghan girls, training for rural farmers in India and the provision of clean water and healthcare in Pakistani slums. These are the sorts of programmes to which Americans are giving increasing amounts of money as US philanthropy gains a more global outlook. And, with the help of a growing number of US-based intermediaries such as Give2Asia, which links donors and charities, American philanthropists can accrue tax benefits in the process.

Cross-border donations have been on the rise for several years. Between 1997 and 2006, Giving USA found that gifts for international affairs – including relief and development projects, contributions for student exchange programmes and organisations working on global peace and security issues – rose at an average annual rate of 12.5 per cent.

However, more recently, banks and others advising wealthy individuals have noticed a marked acceleration in the trend. At JPMorgan Private Bank, Lisa Philp, vice-president and head of the global foundations group, has noted a rise of about 20 per cent over the past year in client interest in overseas donations, with high net worth individuals looking to support education, health and economic expansion projects in developing countries.

Powerful forces have been driving the growth in overseas giving. Global disasters such as the Asian tsunami of 2004 and the 2005 Pakistan earthquake prompted a rise in overseas philanthropic giving.

“The tsunami was really a turning point,” says Jean-Paul Warmoes, executive secretary of the King Baudouin Foundation United States, which facilitates overseas giving by US donors. “The generosity that flowed across borders at that time was unprecedented.”

Meanwhile, the philanthropic activities of business leaders such as Bill Gates and Warren Buffett and celebrities such as Bono and Angelina Jolie have raised the profile of issues of poverty and HIV-Aids in Africa and elsewhere.

In 2006, the potential of microfinance to alleviate poverty also came under the spotlight with the awarding of the Nobel Peace Prize to Muhammad Yunus, the microfinance pioneer, and the pledge by John and Jacque Weberg, the furniture store entrepreneurs, of \$50m to Opportunity International – a donation that represented the largest ever private gift to a microfinance organisation.

The increasingly borderless nature of the corporate world has also helped promote cross-border philanthropy. “You’ve got multinational business leaders thinking very broadly about their giving and wanting to give more and more globally,” Ms Philp says.

Business executives who work for multinational companies tend to travel to the countries in which they have investments or operations, and so see at first hand some of the social and economic problems facing those countries.

Moreover, business-savvy donors, who are increasingly keen to measure the impact of their gifts, are aware that their money often can make a bigger difference in poor countries than at home. “People are concerned about global inequity in general and the philanthropic bang for your buck,” says Melanie Schnoll Begun, managing director of Citi Philanthropic Services. “And your dollar will go much further in the developing world.”

As leisure travel takes Americans beyond US shores, these trips also expose them to global issues. “If you visit the real Africa, you can’t help but notice the terrible challenges that people face,” says Trevor Neilson, who runs the global philanthropy practice at Endeavor

Group, which represents business and philanthropic interests of high net worth individuals. “So a lot of people do make Africa their focus following a visit.”

At the same time, immigrants to the US or returnee expatriate Americans want to give back to institutions or communities in places in which they have lived and worked, or from where their families hail.

Of course, as well as meeting philanthropic aspirations, donors want to ensure that they are giving in a tax-efficient way. Donating directly to a non-US charity does not allow US donors to claim any tax benefits available under US law. But as overseas charities eye American generosity, many are finding ways to enable US-based individuals to support them while also getting a tax break.

One way of doing this is to establish an “American Friends” entity in the US – a 501(c)(3) public charity that is either a trust or a corporation run by trustees or an independent board of directors. Like US charities, the organisation must be incorporated within a given state and have a board, a registered agent and a tax ID number before applying to the IRS for tax-exempt status.

“Non-profits are very aware that there’s a lot of potential dollars that could come their way and it’s in their interest to figure out a way to make it easy for US donors to do this,” says Blanche Lark Christerson, a US-based managing director at Deutsche Bank Private Wealth Management, “because most people still want something in exchange for their gift – they still want to be able to get an income tax deduction.”

At the same time, intermediaries are proliferating. Like Give2Asia, many are devoted to a particular region. These include the American Ireland Fund, the King Baudouin Foundation United States, which focuses on causes in Europe, the Caledonian Foundation USA, which distributes funds to Scottish charities, and the Resource Foundation, a network for giving to central and South America and the Caribbean.

For other intermediaries, the focus is thematic. The Global Greengrants Fund, the Global Fund for Women and the Global Fund for Children are all organisations with public charity, non-taxable, 501(c)(3) status in the US.

Such intermediaries not only help donors secure their tax benefits but also identify appropriate beneficiaries, check their credentials and monitor performance. “You have an infrastructure for international giving that is getting stronger and better organised,” Mr Warmoes says.

In May, three of these intermediary organisations, King Baudouin Foundation United States, Give2Asia and the Resource Foundation, established a new philanthropic network to assist US donors called the Alliance for International Giving.

The idea is to provide a one-stop-shop for the banks, national donor advised funds and community foundations trying to help their clients give to countries across Asia, Europe, Africa, central and South America and the Caribbean. These advisers can now tap into a network whose members collectively facilitate more than \$25m in philanthropy annually, liaising with one representative from the alliance, rather than three.

“US citizens need to work with professionals that really understand the implications of giving abroad,” advises Ms Schnoll Begun, who says she often turns to the Resource Network, KBFUS and Give2Asia when helping clients make overseas gifts. “So we work with clients to make sure they get what they’re looking for in terms of meeting their passions but, to the extent that there’s a tax benefit, ensuring that becomes a reality too.”

Groups that can facilitate giving across a broad range of sectors and interests

Internal Revenue Service: Tax-exempt status for any charity can be checked by going to the “Search for Charities” option in the Charities & Non-Profits section of the IRS website. www.irs.gov

GuideStar: An online database of more than 1.5m IRS-recognised non-profit organisations, which users can search for a specific charity or look for organisations working in an area of interest. www.guidestar.org

Endeavor Group: Washington, DC consultancy whose practice provides strategy and management for its clients’ activities. www.theendeavorgroup.com

Give2Asia: A San Francisco-based non-profit organisation founded by the Asia Foundation that provides services for donors wanting to give to Asia. www.give2asia.org

The Resource Foundation: A New York-based intermediary facilitating links between US donor and non-profit organisations in central and South America and the Caribbean. www.resourcefnd.org

King Baudoin Foundation US: New York-based KBFUS helps US donors to support people and causes throughout Europe and sub-Saharan Africa. www.kbfus.org

The Global Fund for Women: A San Francisco-based non-profit organisation that makes grants to women's rights groups outside the US working in areas such as expansion of civic participation, health and access to education. www.globalfundforwomen.org

Geneva Global: With US offices in Philadelphia and Washington, DC, Geneva provides strategy, research and grant management services for international philanthropy www.genevaglobal.com

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