

SPRING/SUMMER
2004

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A PRIMER ON GLOBAL GIVING

On December 26, 2003, a 12-second earthquake killed almost 30,000 people in the Kerman Province of Iran. The city of Bam was left in rubble and 70,000 were left homeless. If you wanted to make a contribution to help, how could you do it? International aid organizations such as the American Red Cross, United Way International, CARE and UNICEF might come to mind first, but what about other options?

In this article, we'll explore global giving—the hows and whys and what innovators say about effective ways to create a better world beyond our borders.

AN EXPLOSION IN GLOBAL GIVING

The Foundation Center estimates that international giving by U.S. foundations nearly doubled from 1990 to 1998, to \$1.6 billion. Between 1999 and 2001, it almost doubled again to \$3.1 billion. While the growth in international grant-making closely parallels increases in overall foundation giving, it also suggests growing interest and opportunities for global philanthropy. Why the increase in cross-border giving? There are a number of converging factors, including disasters—such as the Bam earthquake—technology, globalization, attitudinal changes about class and social mobility, and even adventure travel.

“It's not unusual for an affluent couple to take a trip to China or Cambodia and return with a desire to help people there,” says Mike Rea, managing director of Give2Asia (www.give2asia.org). “They might see poor children on the street and then come to us to find an indigenous group to help those children. They want to make a tax-deductible contribution, but they also want a personal connection and reliable partner. What's gratifying is how much we can accomplish with their donations.”

Rea's comments identify what is perhaps the key driver for the increased interest in global giving—simple pragmatism, especially in areas such as public health, poverty and education. Contributions simply go farther in less developed economies where needs are great and solutions are available, scalable and, for a U.S. donor, very affordable.

Anahita Mehanian, a manager with the Schwab Fund for Charitable Giving, who worked in Bosnia after the war as a volunteer, agrees. “It was amazing how much the U.S. dollar could do in Bosnia,” she says. “And so much more than aid is given. When we reach out to help people on the other side of the world after an earthquake or other tragedy, there is tremendous appreciation and new bonds are formed.”

INTEREST MEETS OPPORTUNITY

“Coupled with the growing interest in global giving is the growing opportunity to make effective international philanthropic investments,” says Paula Johnson, a research fellow with the Global Equity Initiative at Harvard University and Senior Advisor to The Philanthropic Initiative in Boston.

“The global shift toward market-based economies, the collapse of Communism, and fiscal crises around the world have fueled the development of a burgeoning nonprofit sector capable of absorbing and effectively using philanthropic resources,” says Johnson. “For instance, the end of the Cold War in Eastern Europe was a huge impetus for growth in the nonprofit sector there, and for international support. When those governments collapsed, new political and social structures emerged, sometimes with the help of the West, creating an opening for a vibrant nonprofit sector to emerge.”

In Asia, Africa and South America, there are similar shifts among the boundaries of state, market, and civil societies. In Brazil, for



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ON A CHARITABLE NOTE



In December 2003, while our staff was busy processing record-breaking contributions and the celebrations of the holiday season were all around us, a terrible tragedy took place on the other side of the world, a devastating earthquake in Iran. Immediately we began to receive questions from our donors about the best way to help through grants from their Charitable Gift Accounts.

For some time now, we've been talking about highlighting global giving in this newsletter, and as a result of the earthquake, we decided that now is the time to do it. This edition of GIVING is devoted entirely to global giving, and our goal is to provide you with a starting point for learning more about it. While tax laws in many countries, including the U.S., discourage direct cross-border giving, you'll learn that innovative philanthropists have created easy and tax-smart ways to give internationally, because tragedies and opportunities know no borders.

Whatever your charitable goals, in your local community or abroad, it's gratifying for us to know that you are giving more through our Charitable Fund. Contributions to our Charitable Gift Accounts during 2003 totaled more than \$131 million, topping our previous record of \$116 million in 2001. While the state of the market had much to do with the all-time high contributions last year, donor feedback suggests that you are also setting aside more for charitable grants because of your growing commitment to support the causes that have special meaning to you. It's an honor for us to help you realize these goals.

Thank you for choosing the Schwab Fund for Charitable Giving as your partner in philanthropy.



Kimberly Wright-Violich, President
Schwab Fund for Charitable Giving

YOUR PHILANTHROPY IN ACTION

In 2003, you requested almost 18,000 grants from your Charitable Gift Accounts to support a wide variety of charitable organizations. Here are a few with an international focus that received grants last year:

Africare House—Assists families and communities throughout Africa in the areas of food, health and HIV/AIDS, water resource development, environmental management, education, microenterprise development, governance initiatives and emergency humanitarian aid.

American Refugee Committee—A humanitarian aid organization that ensures the survival, health and well-being of refugees, displaced persons and those at risk.

Conservation International—Conserves the Earth's living natural heritage and demonstrates that human societies are able to live harmoniously with nature.

International Campaign for Tibet—A monitoring and advocacy group dedicated to promoting human rights and democratic freedoms for the people of Tibet.

Women for Women International—Provides women survivors of war, civil strife and other conflicts with tools and resources to move from crisis and poverty to stability and self-sufficiency.

DONOR DIALOG

We invite your comments about our services and your Charitable Gift Account. E-mail us at giving@schwabcharitable.org. Some recent comments from our donors:

"We have been [donors] for several years and have enjoyed using the Fund because of its ease of use and other benefits. You have continually improved your services . . . I especially appreciate the expanded list [online] of previous grantees." — Richard C.

"Thank you for . . . putting account functions online. You folks do a wonderful job!" — Tom S.

"The assets in my Charitable Gift Account are performing well . . . and I have recommended grants out to numerous charities that I care strongly about without the account balance falling below my original contribution. What a nice way to give!" — Mike S.

example, the corporate sector has taken on social responsibility and children's rights in a way that reflects a move to reduce the role of government and increase the profile and contribution of the private sector, according to Johnson.

OPTIONS FOR TAX-SMART GLOBAL GIVING

If you would like to give to a cause outside the U.S., there are various avenues to take that will allow you to retain the tax benefits of your giving. One is to give to charities that have nonprofit status in the U.S. but work overseas, such as Doctors Without Borders, The Nature Conservancy or Grameen Foundation USA, a leader in supporting micro-credit projects around the world that grew out of the success of the Grameen Bank of Bangladesh.

"If we received a \$100,000 grant from one of your donors to enhance economic opportunity in Mexico, for example, that contribution could fund about 1,500 loans a year in perpetuity, and we could increase this substantially if we could securitize the assets, as we recently did with one of our partners in India," says Alex Counts, President of the Grameen Foundation USA (www.gfusa.org). "What we do is scalable, its impact proven by many independent studies, and it builds on people's abilities, not their disabilities. That's why our program has proven to be successful."

The Grameen Bank today has 3.1 million borrowers around the world and has loaned more than \$4.3 billion in amounts averaging less than \$200. About 5 percent of Grameen

borrowers come out of poverty each year, about 10,000 people a month. Although the Grameen Bank has operated free of donor funds since 1998, many smaller micro-finance institutions around the world require financial and technical assistance to "scale up" their operations to meet market demands. Grameen Foundation USA exists to meet these needs—to connect philanthropists in the U.S. with grassroots micro-credit institutions that are seeking to serve the 1.3 billion people living on less than \$1 per day, 85% of whom do not have access to micro-credit services today. A recent endeavor includes a sophisticated securitization project with SHARE, a Grameen replicator that serves women in southern India, and ICICI Bank, the largest private bank in India.

INNOVATIVE INTERMEDIARIES

Another way to give globally is through an intermediary organization, such as Give2Asia, King Baudouin Foundation United States (www.kbfus.org), which focuses on Europe, or Rockefeller Philanthropy Advisors (www.rockpa.org). By giving through an intermediary, donors are able to use their Charitable Gift Account to fund customized projects that might otherwise be difficult to support. The intermediaries charge a fee for their services and provide significant benefits.

"Intermediaries not only ensure that a donor's contribution is tax-deductible—they also conduct due diligence on a project and can supervise the use of the funds," says Kim Wright-Violich, president of the Schwab Fund

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STAFF CHARITY PROFILE

The staff of the Schwab Fund for Charitable Giving has selected to profile the following charitable organization with a global reach:

Global Fund for Women, Inc. is the largest grant-making foundation in the world that focuses exclusively on advancing women's rights internationally. Grants made by the Global Fund expand the choices available to women, empowering them to become respected leaders for social change in their communities. Since 1987, the Global Fund has awarded \$32 million to seed, strengthen and link more than 2,300 women's groups in 160 countries. In the 2002-2003 fiscal year, direct grant support to women's rights groups totaled over \$5.1 million.

California lawyer Adele Freedman and her fiancé Tobb Dell'Oro, a marketing executive, loved to travel to unusual places. In December 2003 they picked Iran, and included the historic city of Bam in their itinerary.

When the earthquake hit, they were sleeping. Their hotel collapsed and both were buried for hours before their tour guide and others dug them out by hand from the rubble. Ms. Freedman fractured ribs, vertebrae and both feet, while her fiancé suffered more acute injuries that caused major blood loss. Although the rescuers rushed them both to a hospital, Mr. Dell'Oro died in transit, reportedly the only American killed in the disaster. Ms. Freedman is recovering from her injuries at her parents' home in New York.

Ms. Freedman and Tam Dell'Oro, Tobb's sister and business partner, have established a Charitable Gift Account with the Schwab Fund for Charitable Giving as a memorial. The account will provide a way to give something back to the people of Iran, who extended tremendous kindness and care to the couple and the Dell'Oro family after the disaster.

"I can't thank the people of Bam enough for what they did for us," says Ms. Freedman. "They knew they were saving American tourists, and by doing so they were not digging out local people. While I was in the hospital, the caring and warmth I received from people was completely overwhelming. We are being told every day that people in Iran and the Middle East hate Americans. Our experience was so much proof otherwise. So many strangers helped us, and Tam and I would like to do something for this community in return."

The Tobb Dell'Oro Middle East Friendship Fund is the name of the account, and Ms. Freedman and the family are actively soliciting contributions from the public to help their cause.

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FUND INVESTMENT EXPENSES LOWERED

Donors who have invested Charitable Gift Account assets in the Equity Value Fund will begin to benefit from a substantial reduction in expenses, from 1.01 percent to 0.76 percent annually for the underlying investment, beginning in April 2004. We were able to negotiate the better rate for our donors because of the growth in assets held in the Fund.

If you have any questions about this investment expense reduction, please contact a Donor Relations Specialist at (800) 746-6216 or send e-mail to questions@schwabcharitable.org.

A SOUL MATE REMEMBERED *continued*

“Our first goal is to bring together the resources to build a school in Bam,” says Ms. Freedman. “We understand it might take a year to complete. Longer term, we are not sure what else we will do through the Charitable Gift Account, but we will focus our giving on Bam and the Middle East.”

If you would like more information about the Tobb Dell’Oro Middle East Friendship Fund, or would like to make a contribution, please call a Donor Relations Specialist at (800) 746-6216.

Our Donor Relations Specialists can assist donors in researching appropriate U.S. charitable organizations to help fulfill their international mission. The Schwab Fund for Charitable Giving makes grants only to U.S. public charities.

To contact us, write to the Schwab Fund for Charitable Giving, 101 Montgomery Street, San Francisco, California 94104. Or send an e-mail to giving@schwabcharitable.org.

A PRIMER ON GLOBAL GIVING *continued*

for Charitable Giving. “They provide highly professional, customized services for donors and the communities they serve. We’ve helped a number of donors set up special projects overseas by helping to identify appropriate intermediaries and negotiating fees.”

A woman approached Give2Asia in 2000, for example, to determine how she could help children in Afghanistan. Give2Asia worked with its resources on the ground in Kabul to find the right partner for the project, the Afghan Institute of Learning (AIL). Her contribution allows AIL to build a new clinic and expand its mobile services to women and children in Sarai Khawaja, a devastated area in the northern part of Kabul. By working with reliable indigenous partners, Give2Asia ensures that the new facilities are built in eight months for about \$200,000.

“The project illustrates in a powerful way what Give2Asia can do to help people maximize the benefits of their contributions and fulfill their charitable goals,” says Rea.

Through the King Baudouin Foundation United States, Irish singer Sinead O’Connor was able in 2003 to sell her house in Atlanta, Georgia, avoid capital gains taxes on the sale, and use the \$600,000 in proceeds to fund a new treatment center for alcohol and drug abuse and suicide prevention, the Aljeff Treatment Centre, in her Irish homeland.¹

“With our U.S. donors, we provide services that include tax advantages, due diligence and personalized advice,” says Jean Paul Warmoes, Executive Secretary for King Baudouin United States. “The reasons that move U.S. donors to support organizations in Western Europe are obviously very different from those that bring them to invest in the Balkan region, where we are very active as well. It is usually more about emotional bonds or family relations.”

“However, the role of philanthropy is changing in Western Europe, with an increasing number of universities, cultural institutions and

other nonprofits looking for philanthropic contributions, both locally and internationally, to compensate for the shrinking support they receive from public authorities. Our mission is to enable their American friends and alumni to support these organizations in an effective and tax-advantaged way,” says Warmoes.

A WORLD OF RESOURCES ONLINE

It’s no surprise that the Internet has also created new ways to facilitate cross-border giving through an online platform. One example is GlobalGiving (www.globalgiving.com), founded in 2000 by two former members of the World Bank’s Corporate Strategy Group, which is sometimes described as the eBay of international development. Through its Web site, GlobalGiving connects people with grassroots development projects in Africa, Asia, Europe, Russia and the Americas.

“Starting with our experience at the World Bank, we saw the tremendous impact that small-scale projects and their leaders could have on local communities,” said Dennis Whittle, GlobalGiving’s CEO. “GlobalGiving has created a marketplace to support those efforts—a place where social entrepreneurs worldwide can access financial resources they need to drive growth and prosperity.”

DUE DILIGENCE SERVICES

Whether you recommend a grant from your Charitable Gift Account for your local food bank or a charity with an international mission, the Schwab Fund for Charitable Giving always conducts due diligence to confirm the status of the recipient organization as a U.S. public charity. This due diligence includes reviews in accordance with the Patriot Act and other federal guidelines put in place after the terrorist attacks of September 11, 2001.

If you have questions about international giving and your Charitable Gift Account, please call one of our Donor Relations Specialists at (800) 746-6216.

¹ As reported in the *Atlanta Business Chronicle*, October 3, 2003.

A donor’s ability to claim itemized deductions is subject to a variety of limitations depending on the donor’s specific tax situation. Charitable deductions in particular are subject to adjusted gross income limitations. Consult your tax advisor for more information.