

The Many Benefits of Charitable Giving

Investing In Others: The Key to Happiness?

Much of our time as investors is focused on accumulating wealth. We don't often step back and look at what that wealth can be used for. When we do, our focus is usually on meeting base financial needs like food, housing, and healthcare as well as some wants like entertainment and travel. Have you ever thought about how you can spend your wealth to maximize your happiness?

In their book *"Happy Money: the Science of Happier Spending"* Elizabeth Dunn and Michael Norton discuss their research into how spending impacts our happiness. One of the five happiest ways to spend money turns out to be investing in others. They cite a Gallup World Poll taken from 2006 to 2008 in 136 countries which showed that donating to charity had a similar relationship to happiness as doubling household income. In fact, giving money away makes us feel like we have a lot of money.

Best Practices in Charitable Giving

Dunn and Norton go on to explain that we can maximize our happiness when investing in others when we:

- 1) Make a conscious choice to give
- 2) Make a connection to the recipient
- 3) Make an impact with our giving.

Using that as a framework, we'd like to suggest some best practices in charitable giving.

First, make a conscious choice to give.

Spend some time thinking about what causes get you excited and then seek out organizations that resonate with your passions.

As a side benefit, when you choose the charities that are meaningful to you, you won't feel pressured out of guilt to give to the phone solicitor.

Moreover, when you are proactive, you can invite your family and friends to participate with you. Just by having the conversation with family or friends you may learn about their passions and values and deepen your relationships.



Second, make a connection to the organizations and causes that you give to.

Reach out to the charities that interest you to learn if there are ways to leverage your financial contribution by volunteering or introducing your network to the organization. Look for stories of people that are impacted by the cause you support.

Finally, make an impact with your giving.

Find charities that solve problems and research how effective they are. Take a look at their financial statements, visit their operations and ask questions to understand their effectiveness.

Be smart about how you give to make sure you are leveraging your financial contribution by getting the best tax deduction or leveraging underutilized assets.

Concentrate your giving so that you can focus on the few organizations that you have found to have impact. This will allow you to follow up with those organizations to see the impact your participation has made over time.

In summary, there are many financial strategies that can help you leverage your giving—it's only a matter of finding the right fit.