

Tips for Smart Consumers

Charitable Solicitations

A Message from Attorney General Bill Sorrell

The federal government estimates that between \$1 billion and \$2 billion of the money raised for charity in the U.S. annually is misused or ends up in the pockets of fraudulent solicitors. Because more than 80% of the money raised by charities comes from individual donors, it is very important that donors be cautious and have sufficient information to make wise giving decisions.

Consumer Tips

Here are some precautions to ensure that your charitable contributions are used to their maximum benefit:

Don't pay in cash. Always make contributions by check and make the check payable to the charity, not the individual solicitor. Be wary of solicitors who want to send a courier or delivery service to pick up your donation right away.

Don't give your credit card number to a stranger. Although it may be convenient to use a credit card, you shouldn't give your credit card number unless you are familiar with the organization to which you are contributing.

Don't be pressured into making an immediate contribution. Ask for written information, including the charity's name, address, and telephone number. A legitimate charity will always be willing to send you materials outlining their mission and how your donation will be used. This will also give you time to check with one or more of the organizations that provide information about charities (see the section entitled "Checking Out Charities").

Watch out for similar sounding names. Some charities use names that closely resemble those of respected, legitimate organizations. Research the organization that contacted you to make sure it is the one to which you want to donate your money.

Be skeptical if someone thanks you for making a pledge you don't remember making. If you have any doubt about whether you made a

pledge, check your records. Be alert for invoices claiming you've made a pledge when you know you have not.

Consider the costs. When you have to buy tickets for special events in exchange for giving, remember that these cost money and are usually paid for out of your contribution. Although this is an effective fund-raising tool, less money may go to the charity.

Paid Fundraisers

Some charities find it is more efficient to pay fundraisers to handle their mailings and telephone solicitations than to rely on their own staff or volunteers. Professional fundraisers generally keep a percentage of the money they collect on behalf of the charity. Sometimes the percentage is surprisingly high. In Vermont, for charitable solicitation campaigns ending between 1993 and 1997 that used a paid fundraiser, it is estimated that approximately seventy cents out of every dollar went to the fundraiser.

The fact that a charity uses a paid fundraiser does not *necessarily* mean that you should not contribute to the charity. However, it does add another factor to take into account. You may wish to consider whether a charity that allows its fundraiser to keep a majority of the funds donated is worthy of your donation.

Vermont law requires paid fundraisers to register with the Attorney General's office before soliciting in Vermont and to provide the office with information about the fundraising campaign--including the percentage of the contributions to be paid to the charity.

The law also requires paid fundraisers to tell a consumer whom they solicit for contributions that:

they are being paid by the charity; and
the consumer may contact the Attorney General's office to find out what percentage of the money collected will go to the fundraiser and what percentage will go to the charity.

These disclosures—that the solicitor is a paid fundraiser and that you have a right to find out the "split" between the fundraiser and the charity—must be made by the fundraiser before you make or "authorize" payment. (For example, if you give a credit card number over the phone as payment, the disclosures must be made over the phone. If you write a check or give a credit card number after receiving written information from the charity, the disclosures may be in the written information.)

Any time you are solicited for a donation, ask the caller if he or she is working for a paid fundraiser. If the answer is "yes," tell the caller you want to know the "split" between the fundraiser and the charity.

Information about the "split"—the minimum guaranteed to go to the charity and the actual amount that went to the charity in previous campaigns --can be found on the Attorney General's web page. Before you commit to making a contribution, you should check out the web page. You can also call the Attorney General's Consumer Assistance Program (see the section entitled "Where to Go for Help") for information about the split or to find out if complaints have been filed against the charity or its paid fundraiser.

Checking Out Charities

The vast majority of charities are legitimate and use your donations wisely. However, a significant minority are either fraudulent—i.e., soliciting for phony causes—or spend most of your contribution on administrative expenses or simply more fundraising. Before making a contribution to a national charity, you should contact one or both of the following organizations:

Philanthropic Advisory Service

(PAS) Council of Better Business
Bureaus 4200 Wilson Boulevard, Suite
800 Arlington, VA 22203-1838
(703) 276-0100
<http://www.bbb.org>

National Charities Information Bureau (NCIB)

19 Union Square West, 6th Floor
New York, NY 10003-3395
(212) 929-6300
<http://www.give.org>

These organizations review financial statements and other records of national charities to determine whether they meet certain standards. For example, the PAS standards require that:

- at least half of the charity's total income be spent on programs;
- at least half of public contributions be spent on the programs described in appeals;
- no more than 35% of contributions be spent on fundraising; and no more than half of the charity's total income be spent on administrative and fund raising costs.

The PAS and NCIB standards apply both to charities that use paid fundraisers and those that do not. Even if the charity you are considering meets the

standards of one or both organizations, you should still check out the "split" between the charity and its fundraiser on the Attorney General's web page.

Public Safety Solicitations

You may be solicited to contribute to an organization representing police or fire departments or associations. These groups often use paid fundraisers to solicit on their behalf. You should be aware that simply having the words "police" or "firefighter" in an organization's name doesn't mean that your local police or firefighters belong to or are represented by the group. Before contributing you should call your local police or fire department to determine whether they have authorized a solicitation on their behalf.

Sweepstakes Mailings

In recent years, charitable organizations have used sweepstakes mailings as a fundraising method. If you are thinking about participating in a direct mail sweepstakes sponsored by a charity, you should consider the following:

Your chances of winning may be no greater than your chances of winning any other sweepstakes; a national charity may mail from a half million to ten million or more solicitations.

You should not be required to make a contribution to the charity in order to be eligible to win a prize.

You should consider the worthiness of the charity conducting the sweepstakes in the same way you would consider the worthiness of any other charity.

Where to Go for Help

To find out the "split" between a charity and its paid fundraiser, check out the Attorney General's web page at:

<http://www.ago.vermont.gov>

(Click on "Consumer Protection," then click again on "Charities Information.")

To find out if complaints have been filed against a charity or its paid fundraiser, contact the Attorney General's Consumer Assistance Program at the following address:

Consumer Assistance Program
Morrill Hall-UVM
Burlington, VT 05405
Phone: 802 649-2424 (toll-free) or
802 656-1025 (Chittenden County)
[Email: Ago.Cap@state.vt.us](mailto:Ago.Cap@state.vt.us)