



GIVING™

PUBLISHED QUARTERLY BY THE SCHWAB FUND FOR CHARITABLE GIVING

INSIGHTS INTO
PERSONAL
PHILANTHROPY

EFFECTIVE GIVING: WE ASK THE EXPERTS

SUMMER 2000

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If you log on to our Web site, hit Charity Search, and type in the key word, "education," the resulting search yields 56,965 charities. How do you know which organization to support? Where do you start? Whatever area of interest you choose, selecting the best nonprofit organizations to support isn't easy.

CONNECTING THE DOTS

In his 1997 book *My Vast Fortune*, a personal narrative about achieving wealth and then trying to put it to work for "good cause," author Andrew Tobias says, "many cannot connect the dots between giving and results." He points out that most people, including himself, are not by nature methodical about charitable giving, and not because the sheer number of nonprofits in the U.S. is so high. For most of us, what comes naturally is to give spontaneously when prompted by friends, an alma mater, or poignant media reports of disasters or community needs—"the equivalent, I suppose, of acting on a hot [stock] tip," Tobias writes.

Personally, Tobias aims for charities with very low operating costs and favors those that provide "leverage," meaning that he would rather fund medical training for new doctors in poor countries than medicines or food to meet current needs. This is one approach of many that can yield satisfying results for both charitable givers and the targeted community.

INVESTING IN PHILANTHROPY

No matter who or what you target in your charitable mission, it's likely you will work with nonprofit organizations to make that mission a reality. Especially for those who are new to strategic philanthropy, choosing the right partners may seem like a daunting task.

"The most common mistake made by 'new philanthropists' is to treat philanthropy differently than other aspects of their lives," says Kirk O. Hanson, Senior Lecturer in business ethics and business responsibility and a faculty affiliate of Stanford Business School's Center for Social Innovation. When evaluating a nonprofit, donors should insist on high performance, "just as they do in their business or professional lives," says Hanson.

Hanson suggests that donors resist the temptation to support too many charities. "It's never easy to say no to organizations, but it is very important to focus your giving ... [so] you can be personally involved." Philanthropists should also seek out expert advice," says Hanson.

"Few business people would launch a major business initiative without consulting others on whether the goal is a good one, is achievable, and is being approached in the right way."

WHAT MAKES A CHARITY SUCCESSFUL?

- *A clear mission and leadership team*
- *Well defined goals*
- *A strong planning process*
- *Concrete performance measures*
- *Good relationships with the communities the charity serves*

Tobias recommends giving "haphazardly" with some of your resources while reserving the bulk of your giving for more structured philanthropy or change-making endeavors.

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ON A CHARITABLE NOTE



During the second quarter of 2000, the Schwab Fund for Charitable Giving™ made its first \$1 million grant, to a major art museum. Since the Fund's inception in September 1999, you and your fellow donors have nominated more than 2,500 grants totaling \$11 million to charitable organizations across the country. There's no doubt that your generosity is making a difference in the communities you have chosen to support.

You have selected one of the nation's fastest growing donor-advised funds as your partner in philanthropy, and we want to make it the best. We have now made it easier to nominate grants by streamlining the grant approval process. I encourage you to contact me directly with your ideas for other ways to improve our services, including suggestions for what we might cover in this newsletter. For this issue, we asked some of the nation's leading experts on philanthropy for their views on evaluating nonprofit organizations. I hope their insights will become part of your strategic giving plan.

In June, I joined the Fund as the new President and Executive Director, to complement the extraordinary staff put together by the founding President and Executive Director, Peggy Ross. Peggy is staying on to spearhead special projects for the Fund. Her leadership in launching this new venture leaves us with a legacy that will thrive and continue to stimulate charitable giving long into the future. It's a real honor to join this organization, and I look forward to working with all of you to build on our success and your continuing generosity.

Kimberly Wright-Violich
President & Executive Director
The Schwab Fund for Charitable Giving

YOUR PHILANTHROPY IN ACTION

More than 900 organizations received Schwab Fund for Charitable Giving grants, recommended by our donors, during the second quarter of 2000. Grants ranged from \$500 to \$1 million. Here are just a few of the grant recipients.

Desert Foothills Land Trust
Cave Creek, Arizona

Dallas Symphony Association
Dallas, Texas

Emmanuel Gospel Center
Boston, Massachusetts

Idaho Public Television Foundation
Boise, Idaho

Louisville Free Public Library Foundation
Louisville, Kentucky

Pacific Northern Academy
Anchorage, Alaska

Reflections Ministries
Atlanta, Georgia

San Francisco Museum of Modern Art
San Francisco, California

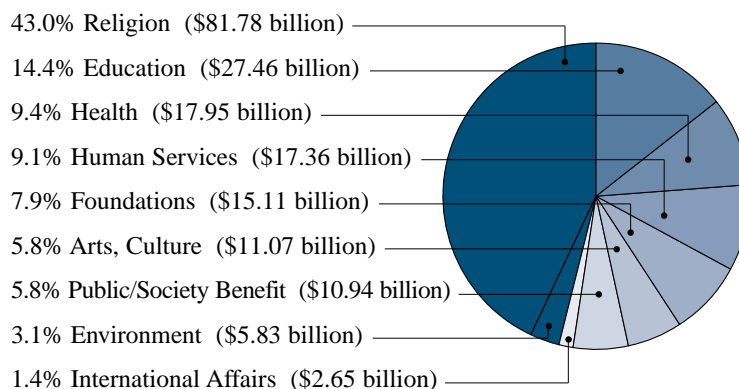
University of Nebraska Foundation
Lincoln, Nebraska

World Vision, Inc.
Federal Way, Washington

AMERICANS ARE MORE GENEROUS THAN EVER BEFORE

Recipients of Charitable Contributions

1999 Total U.S. Contributions: \$190.16 billion



Source: Giving USA 2000/AAFRC Trust for Philanthropy
Segment percentages are affected by rounding and do not total 100%.
For more information, visit www.aafrc.org.

Charitable giving surpassed \$190 billion in 1999, an increase of more than \$15 billion compared with the previous year. Giving as a percentage of personal income has increased from 1.5% in 1995 to 1.8% in 1998 and 1999 and now represents 2.1% of the gross domestic product in the United States.

SCREENING NONPROFITS

What should you look for in the nonprofits you choose to support? Successful charities “have a clear sense of mission, performance measures you can understand, a good planning process, well defined goals, and good relationships with the communities they serve,” says Hanson. “The quality of the staff is crucial to all of these things, so you need to meet the staff personally and evaluate them as you would others you might choose to do business with.”

In his book *Wealthy and Wise*, financier and passionate philanthropist Claude Rosenberg, like Hanson, advocates concentrating your charitable efforts, donations, and involvement in a few organizations. “You will wear yourself out” if you do otherwise, he writes. Rosenberg also recommends ruthless analysis of a charity’s financials and performance before choosing to support it. “Do not rely on anecdotes,” he writes. “Determine the number of people helped and to what degree, and then assess the organization’s costs to make this happen.”

Although it may seem unduly cumbersome to methodically research charities before making donations, these are your investments in the future. As with stock market investments, the potential return depends largely on research and ongoing performance monitoring.

GIVE NOW, GIVE LATER

Author Tobias recommends using charitable gift funds such as Schwab’s. “They make for easier record-keeping (just one or two receipts to keep for the IRS each year); they make it practical to use appreciated securities to fund even relatively small gifts; and they let you take a deduction when a stock is high while taking your time to decide when and how to disburse the proceeds,” says Tobias.

“One of the fundamental advantages of our Fund is that it allows donors to make tax-deductible contributions and set up Charitable Gift Accounts while they are researching and choosing charities to support,” says Kim Wright-Violich, President and Executive Director of the Schwab Fund for Charitable Giving. “This separation supports strategic, intelligent tax planning and charitable giving.”

Wright-Violich also emphasized that when you recommend a grant to the Fund, our review process ensures that the charities you have selected to support are operational, tax-exempt charities. “We are proud of the extensiveness of our due diligence process. Recently, we have streamlined our process without compromising its integrity,” she says.

HOW TO LEARN MORE

There are many local workshops dedicated to helping people learn more about effective giving and civic involvement. Stanford University’s new Center for Social Innovation’s workshops and executive programs are aimed at professionals in philanthropy and nonprofit management, but can also help donors who want to make “civic engagement a hallmark of their lives,” says Hanson. Harvard University’s Graduate School of Business also offers a Social Enterprise program with a similar curriculum. In the next few months, look for more information about donor education opportunities on our Web site, www.schwabcharitable.org.

In the next edition of Giving: More insights from philanthropy experts, including Jim Austin, Faculty Chair of Harvard University’s Center for Nonprofit Excellence.



GLAD YOU ASKED

Here are some of the questions that donors ask us, and our answers.

Q. Can I use a Charitable Gift Account to buy tickets to charitable events or fulfill an annual pledge?

A. Charitable Gift Account grants can be made only to charities that will not provide you with any benefits as a result of the grant. This restriction, based on Federal law, includes making grants to purchase tickets to events or meeting an existing pledge. A pledge is really a personal debt that the grant would fulfill. However, remember that in future years you can nominate a grant to a charity in lieu of making a pledge. Federal legislation has been proposed to change this restriction regarding pledge fulfillment from donor-advised funds. If these rules change, we will inform all of our donors right away.

Q. Can I nominate any charity for a grant?

A. Yes. Grants can be made to any U.S. public charity as defined by the IRS, and this is a much wider tent than you might expect. Eligible organizations include not only familiar charities such as the American Red Cross and Habitat for Humanity, but also most policy research organizations, youth groups, schools, pet shelters, theaters, libraries, and much more. If you aren’t sure of an organization’s IRS tax-exempt status, remember that we will verify it when you submit your grant nomination.

Q. How can I involve my children in charitable giving?

A. There are endless ways. With a Charitable Gift Account, you can include them as nominators and encourage them to research charities they would like to support. You can also earmark a portion of your total annual grant nominations to your children, giving them a charitable “allowance” to spend. Over the long term, your children can assume the role of nominators for your Charitable Gift Account without incurring inheritance tax liability.



2ND QUARTER 2000 PERFORMANCE REPORT *For period ending June 30, 2000*

ONE DONOR'S WAY TO GIVE

David and Florence Kleine are faithful givers. Before becoming one of the first donors to the Schwab Fund for Charitable Giving, they had been donating appreciated securities to charities for more than a decade. "It's a cumbersome process," says David Kleine. "The charities needed a relationship with a securities firm, and making the donation involved transferring shares to their accounts. Sometimes we handled all the paperwork for them, and it required a great deal of time."

The Kleines became donors to the Schwab Fund for Charitable Giving because of the easy way it allows them to continue their generosity but significantly reduce the administrative work, for themselves and the charities they nominate for grants. "Your Fund makes it easy for us to donate appreciated stock, and the charities get checks instead of securities. It's a lot easier for everybody," says Kleine.

Some of the charities nominated for grants by the Kleines include The Gladney Fund, a charity associated with the Texas adoption agency that helped the Kleines adopt two of their three children, and Amigos De Cristo, a Minnesota nonprofit that provides a multicultural summer day camp experience for economically disadvantaged children. "We like to support charities that help children and education," says Kleine. "And we support a lot of Christian and family-oriented charities." The Kleines have also nominated grants for the University of Notre Dame, Focus On The Family, and charities in their home state of Illinois.

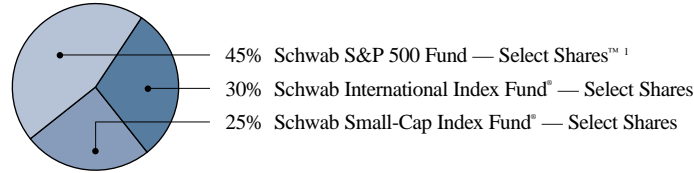
"It's important to understand the mission of a charity—that's really important," says Kleine. "What you support should depend on what you are personally involved in."

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

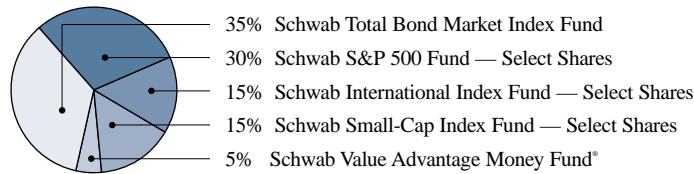
Contributions to the Schwab Fund for Charitable Giving are invested among three professionally managed investment pools composed of SchwabFunds® mutual funds.

RETURNS

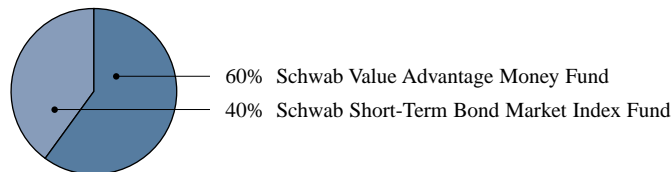
	2nd Quarter 2000	Year-to- Date	Since Pool Inception (8/10/99)
Growth Index Pool. This pool seeks high capital growth over the long term and has a target allocation of 100% stocks.	-3.13%	-1.09%	17.75%



Balanced Index Pool. This pool seeks moderate total return through both capital growth and income and has a target allocation of 60% stocks, 35% bonds and 5% cash.	-1.31%	0.99%	12.65%
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Gift Preservation Pool. TM This pool seeks current income and relative stability of principal and has a target allocation of 40% bonds and 60% cash.	1.41%	2.66%	4.35%
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Other Representative Market Indices

S&P 500 Index Includes the common stocks of 500 leading U.S. companies from a broad range of industries.	-2.66%	-0.42%	n/a
Lehman Brothers Aggregate Bond Index Includes U.S. government and other investment-grade debt securities, such as corporate and international (dollar-denominated) bonds, asset-backed securities and mortgage-backed securities.	1.74%	3.99%	n/a
3-month Treasury Bill Index	1.53	3.00	n/a
Schwab International Index Includes the 350 largest securities (per market capitalization) traded outside of the U.S. in developed markets.	-4.76%	-5.15%	n/a

¹ Select Shares are a special class of SchwabFunds with lower operating expenses that are only available to individuals with initial minimum investments of \$50,000. Select Shares are available to the Schwab Fund for Charitable Giving because the Fund purchases SchwabFunds Select Shares in aggregate amounts for each pool.

Prospectuses for the registered mutual funds underlying the investment pools are available from the Fund upon request. Please read them carefully before selecting an investment pool to recommend. The highlighted performance for the pools and the underlying funds represent a relatively short time period. Past performance is no guarantee of future results.

The pool returns are based on the total returns of the underlying mutual funds in each pool, minus operating expenses of the Schwab Fund for Charitable Giving. Principal value and investment return will fluctuate with changes in market conditions, and an account in the Fund may be worth more or less than the original amount contributed to the Fund. Indices are unmanaged and do not reflect advisory fees and other expenses associated with an investment in funds. Investors cannot invest in an index directly. During the period, the pools' holdings may have deviated from their target allocations, because of changing market conditions. The portfolio managers rebalanced the pools' holdings as needed to limit significant variances.

The Schwab Fund for Charitable Giving has entered into service agreements with certain affiliates of The Charles Schwab Corporation (Charles Schwab & Co., Inc. and Charles Schwab Investment Management, Inc.) to perform administrative, record keeping, and investment management services. Charles Schwab & Co., Inc. is a member SIPC/NYSE.