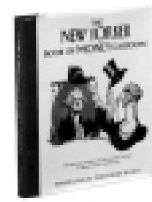
“To the rich, the very rich, and the super rich! Have I left anybody out?”

The New Yorker Book of Money Cartoons

The weirdness of our obsession with money exceeds the weirdness of our obsession with sex. Money is funny.

—KK

The New Yorker Book of Money Cartoons
1999, 109 pages
$22
Bloomberg Press



Die Broke
A Radical Four-Part Financial Plan

God punishes one generation when it accepts the undiminished wealth of the previous generation. The way to escape perpetuating generational richity is to die broke. But what about college for my kids, or when I’m old, or retired? This book has answers and very specific tactics for the liberation of all from the myth of inheritance.

—KK

You are not a corporation—you are a human being. Your money shouldn’t outlive you. You should exit life as you came into it: penniless. Your assets are resources to be used, for your own benefit and for the benefit of those you love. Every dollar that’s left in your bank account after you die is a dollar you wasted. Use your resources to help people now when you know they need it, when it will do the most good, rather than hoping they’ll be helped when you’re dead. The last check you write should be to your undertaker…and it should bounce.

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Inheritance is a terribly inefficient way to pass wealth to others.

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You need to shift to a more flexible view of work and career, one that abandons the ultimatum of retirement—a false choice between full-time and no time….Similarly you need to shift to a less rigid approach to earned income. No longer can you look at your earned income as continually increasing up until age sixty-five, at which point it will stop entirely. From now on you need to approach earned income as you do unearned income. It may grow, it may be stagnant, or it may decrease, all depending on market conditions and your own choices.

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The best metaphor I can think of for today’s pursuit of retirement is of a mass of lemmings busily struggling up a steep cliff and then jumping off the cliff into the abyss.

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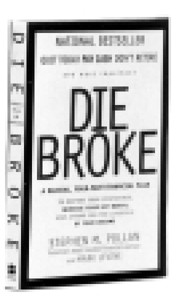
Dying broke means living well.

Die Broke
A Radical Four-Part Financial Plan
Stephen M. Pollan and Mark Levine
1997, 305 pages
$14
HarperBusiness



Fidelity Charitable Gift Fund

The only sane antidote to massive amounts of wealth is massive amounts of philanthropy. But giving is a habit that is best begun before you are loaded (the great philanthropist Carnegie began when he was making a few dollars per week). Indeed, some of the most influential funding in history has been small, but creative, grants.

Creating a personal foundation is a growth industry these days; the most in-demand hire in Silicon Valley is the personal fund manager. You can spend half your fortune creating and maintaining a foundation, or you can do it the easy way. The Fidelity Charitable Gift Fund is a mutual fund run by Fidelity which provides most of the functions an ordinary giver might want from a personal foundation. Best of all, it requires a minimum of "only” $10,000. Here’s how it works.

You deposit your contribution in Fidelity, which invests the amount in a mutual fund pool (you get to choose the level of risk/payback you want for your money, but they choose and run the fund). Whenever you want to make a donation, you tell them, and as long as it is a tax-deductible outfit (it can’t be an individual), they send ’em a check.

The main advantages are four:
1) The money grows. Like a real foundation, your money is invested, and the returns on those investments are reinvested and further enlarge your fund for giving. Depending on what percentage you disperse each year, the total can accumulate significantly. (Fidelity suggests you give at least 5 percent of your fund each year.)
2) You can gift stock (or securities) directly to the fund. The hi-tech boom is awash in highly appreciated stock, which if cashed out would trigger huge capital gains tax for the owners. What many dot-comers do is donate the stock without cashing it. Their Gift Fund account is credited with that high value of the stock at market value, but the giver doesn’t have to pay for the huge gains, because those gains are now the gains of a nonprofit fund. The givers receive the normal charitable giving tax deduction for the market value of the stock. You can do the same with ordinary stock investments. Say you were lucky enough to buy twenty shares of Cisco when it was $10 per share. Say when Cisco hits $200 per share, you decide you want to do something creative and meaningful with your small fortune of $4,000. You bestow the Gift Fund with the twenty shares of Cisco, which then credits your philanthropic account with $4,000. But instead of having to pay a capital gains tax on $3,800 ($4,000 minus $200, your cost), you get a tax deduction on $4,000. That $4,000 can then amplify further (see point 1). A common tactic for Gift Fund users is to donate their highest flying, most ridiculously inflated stocks for maximum philanthropic joy and smallest capital gains pain.
3) It’s free. Well, almost free. Fidelity charges the usual industry standard of any mutual fund (less than one percent), but this is far less than hiring a personal fund manager, or even setting up a private foundation yourself.
4) You get to name your foundation anything you want. As futurist Paul Saffo says, the Lexus was the status symbol of 90s; the status symbol of the coming decade will be the personal foundation. Having a foundation of your own focuses attention on keeping it full, and encourages discipline in giving it away.

Because accounts within the Gift Fund are so easy to set up they are often used for giving circles. A giving circle is a group of friends or advocates who decide to combine their resources to fund a cause. They create a virtual foundation without the usual expense and work of setting up a bona fide nonprofit (which is needed to receive funds, but not give them) and collectively research and debate who/where/how to fund their mission.

The Gift Fund is so useful for givers of more modest means that it has drawn in about $2.5 billion dollars, making the collective Fidelity Charitable Gift Fund the third largest public foundation in the US, and the number-one foundation in total amount of money dispensed last year. Of course it is not really one foundation, but 24,000 small foundations, many of them pioneering creative philanthropy. You don’t have to fund the opera and hospitals. As an example, here are some donations clients of the Gift Fund recently made:

- Support for a historic preservation speaking tour
- Rebuilding a scout camp destroyed by fire
- Funding for the development of a textile study center at an art museum
- Support for an archeological dig at a national park
- Support for Native American students majoring in science
- Supplying an animal shelter with an examination table and equipment
- Support for a summer theater

My experience with the Gift Fund has been great. It was simple to set up, with a minimum of paperwork, and when it comes time to make a donation, the effort is pretty painless. Having a convenient do-it-yourself vehicle, with tax breaks, and investment upsides, has encouraged our giving.

—KK

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