



## Where's the Money Go?



[1]A look at "How The Poor, The Middle Class And The Rich Spend Their Money," by Planet Money, illuminates recent data from the United States Department of Labor's Bureau of Statistics, which conducted a Consumer Expenditure Survey. The results (which may be obvious to many) show **poor and middle income families spend a much larger share of their budget on basic necessities such as food at home, utilities and health care than do wealthy households.**

Rich families are able to devote a much bigger chunk of their spending to education, and a much, much bigger share to saving for retirement. They do not, however, give a bigger share of their income to charity. Though their dollar donations are possibly larger, the percentage given is likely to be smaller. Interesting, eh?

After paying basic expenses, the lowest income group has spent 96.3% of their income, leaving 3.7% of disposable income. The middle income group has spent 95.6% of their income, leaving 4.4% of disposable income. And the highest income group has spent 92.8% of their income, leaving 7.2% of disposable income. If we use real numbers, needless to say, the poorer we are, the less we will have for discretionary use.



~~[2]This got us to thinking about Paul Navone, a mill worker in New Jersey, who never made more than \$11 an hour.~~ He started off earning 75 cents an hour at the age of 16, and almost immediately started saving as much money as he could. He only shopped at thrift stores and never owned a TV or a telephone. He never married or had children, and his only "extravagances" were breakfast at McDonald's and used CDs. He saved enough to pay cash for a home, living in half and renting out the other half and, in due course, acquired two more rental properties and started investing with a brokerage. He lived his whole life in a small, modest house.

**Eventually he started giving away his money away - to schools because he wanted his money to produce value, and schools were the perfect choice. He ultimately gave almost all his money - over \$2 million - to a community college and college preparatory school.**

Stories like Paul's got us to thinking that what's missing from the above study is information on income donated to charities by each of the economic groups. So we sought out the research, and found some stunning findings.



# THE CHRONICLE OF PHILANTHROPY

Philanthropy.com

[3]The latest study on "philanthropic giving," conducted by the Chronicle of Philanthropy using tax-deduction data from the Internal Revenue Service, showed that that **middle-class Americans give a larger share of their income to charity than the wealthy**. In fact, households earning between \$50,000 and \$75,000 a year, give an average of **7.6 percent** of their discretionary income to charity.

That compares to **4.2 percent for people who make \$100,000 or more**. In some of the wealthiest neighborhoods, with a large share of **people making \$200,000 or more a year, the average giving rate was 2.8 percent**.

Religion is the big factor here. "Regions of the country that are deeply religious are more generous than those that are not," the Chronicle said. The Chronicle of Philanthropy study suggests that **wealthy people who live in mixed-income areas give more and are more empathetic than those who live in exclusively wealthy enclaves**.

In 2001, Independent Sector, a nonprofit organization focused on charitable giving, found that households earning less than \$25,000 a year gave away an average of 4.2 percent of their incomes; those with earnings of more than \$75,000 gave away 2.7 percent.

The IRS system provides that those who itemize receive a hefty tax break to make charitable donations, a **deduction that grows more valuable the higher they are on the income scale**.

Dr. Paul K. Piff, of the University of California, Berkeley, and the Institute of Personality and Social Research, who conducted a similar study, not only found that found that **lower-income people were more charitable, but that they were also more generous, trusting and helpful to others than were those with more wealth**. Lower-income people were more attuned to the needs of others and more committed generally to the values of egalitarianism. Piff said, "Wealth seems to buffer people from attending to the needs of others."

In fact, a 2007 report from the Center on Philanthropy at Indiana University found that **only a small percentage of**



**[4] by the wealthy was actually going to the needs of the poor; instead it was mostly directed to other causes** - cultural institutions, for example, or their alma maters - which often came with the not-inconsequential payoff of enhancing the donor's status among his or her peers.

There may be something that can be done to help this situation. Piff found **that if higher-income people were instructed to imagine themselves as lower income, they became more charitable. If they were primed by, say, watching a sympathy-eliciting video, they became more helpful to others** - so much so, in fact, that the difference between their behavior and that of the low-income subjects disappeared. And fascinatingly, the inverse was true as well: when lower-income people were led to think of themselves as upper class, they actually became less altruistic.

Let's end on a high note with the story of Jack MacDonald, who died at age 98, last September. Though he worked as an attorney for three decades, and earned a modest living, **he spent his life clipping coupons and riding the bus. MacDonald lived in a one-bedroom apartment and was known to family as quirky and eccentric, but always true to himself - acting on his convictions to do the most good with his money**. While he made regular contributions to charities, he was able to amass wealth by investing. So, with no biological children of his own, nor a wife (he'd married in 1971. His wife died in 1999), Jack left the results of all his scrimping, saving and investing - \$187.6 million - to three Seattle-area charities.

- [Get Started](#)
- [Who We Are](#)



[5]The moral of the three stories? **It's never too early or too late to give to others - and giving need not just come from the pocketbook.** Do what you can do to make a positive difference - give of yourself! Creating a compassionate community, whether locally or internationally, is up to you...me...US.

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