

**Make Your Money Matter:
Accessing the
Smart Givers Network**



by Rich Cowles
Executive Director, Charities Review Council,
and One Percent Club Member

Warren Buffet dedicated the bulk of his giving to the Gates Foundation because he is confident the organization will use the funds wisely. With a million charities in the U.S, how do you decide which charities are worthy of your trust and will manage the funds responsibly?

Whether your gift is aimed at curing breast cancer or feeding the hungry, we recommend you research the charity before making your important social investment. You can access the Charity Review Council's Smart Givers Network website, www.smartgivers.org, for unbiased information and resources on responsible giving. You can investigate the organization's mission and programs, so you can be sure of what your money supports. You can also **look for the Council Seal**. Charities earn the Council's Meets Standards Seal by voluntarily participating in the Council's newly launched online assessment called the Accountability Wizard. It is available to all charities soliciting in Minnesota and helps charities ensure that their operations, structure and policies meet widely accepted standards for accountability and transparency to their donors.

To investigate your charity of choice or for more information about the Council, visit www.smartgivers.org or call 651-224-7030. If your charity of choice has not earned the Seal, please encourage them to build donor trust by participating in the Accountability Wizard.

**SAVE THIS DATE:
September 13, 2006
5:30 – 8:30 P.M.**

Michael V. Ciresi
Keynote Speaker
at Annual Dinner Event
will speak on
*“Minnesota’s Culture of Investing
in the Common Good -
Flourishing or Eroding?”*



One Percent Club member and philanthropist, Michael V. Ciresi, will be the keynote speaker at the September 13, 2006 Annual Dinner. He is a name partner and Chairman of the Executive Board of Robins, Kaplan, Miller & Ciresi, L.L.P., and has been instrumental in the growth and diversity of the firm’s practice. Mr. Ciresi’s trial practice and consulting is focused in the areas of product liability, intellectual property, business and commercial litigation.

Table for 8	\$600
Table for 4	\$300
Individual	\$ 75

Invitations to be mailed soon.

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Giving
of Net Worth
Back to the Community



Edition #83 August 2006

The mission of the One Percent Club is to increase charitable contributions in our community by engaging people to commit to a minimum standard of giving: the greater of 1% of net worth or 5% of income annually.



56 BUFFETT’S STARTLING GIFT The world’s greatest investor plans to gradually give away the bulk of his Berkshire Hathaway stock, which is valued today at \$44 billion. Most of it will go to the Bill & Melinda Gates Foundation. A FORTUNE exclusive. BY CAROL J. LOOMIS

72 Bill Gates Reboots Microsoft’s founder on his decision to step aside, Warren Buffett’s gift, and why it all gets him a little choked up. BY BRENT SCHLENDER

(from the 7/10/06 issue)

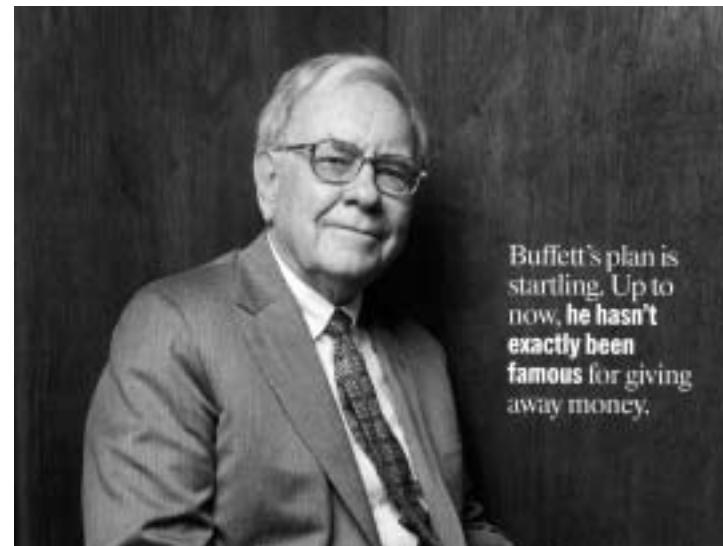
**PHILANTHROPY
WINS!**
(Giving While Living)

Warren Buffett GIVES IT AWAY

BY CAROL J. LOOMIS • We were sitting in a Manhattan living room on a spring afternoon, and Warren Buffett had a Cherry Coke in his hand as usual. But this unremarkable scene was about to take a surprising turn. "Brace yourself," Buffett warned with a grin. He then described a momentous change in his thinking. **Within months, he said, he would begin to give away his Berkshire Hathaway fortune, then and now worth well over \$40 billion.** This news was indeed stunning. Buffett, 75, has for decades said his wealth would go to philanthropy but has just as steadily indicated the handoff would be made at his death. Now he was revising the timetable. "I know what I want to do,"

he said, "and it makes sense to get going." On that spring day his plan was uncertain in some of its details; today it is essentially complete. And it is typical Buffett: rational, original, breaking the mold of how extremely rich people donate money.

Buffett has pledged to gradually give 85% of his Berkshire stock to five foundations. A dominant five-sixths of the shares will go to the world's largest philanthropic organization, the \$30 billion Bill & Melinda Gates Foundation, whose principals



Buffett's plan is startling. Up to now, he hasn't exactly been famous for giving away money.

The Gateses have given \$26 billion to their foundation, with more to come.

THE GLOBAL FORCE CALLED THE GATES FOUNDATION

The philanthropy's impact, already immense, will be magnified by Buffett's billions.

IT IS BY FAR THE LARGEST foundation in the world—even now, before Warren Buffett's historic gifts. And its creed is appropriately broad: "Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to reduce inequities and improve lives around the world."

To further its work, the foundation currently has just over \$30 billion in assets, a purse built up from Bill and Melinda Gates' gifts of \$26 billion and appreciation in its broadly diversified investments (which at the moment contain no Microsoft). The \$30 billion, of course, does not include the \$8 billion in gifts that the foundation has made since 1994. Last year it gave \$1.36 billion, and this year it expects to spend around \$1.5 billion.

Now it will be Buffett and the Gateses building up the foundation together. Bill and Melinda have said that almost all their fortune will go to charity, and right now they still have an estimated net worth of \$50 billion.

The foundation works heavily through partners (nongovernmental organizations, usually) and has focused on

big causes. Its original giving was directed at providing U.S. libraries free online access—and today more than 99% are hooked up. The foundation then broadened its efforts to global health, on which it now spends around



IN MOZAMBIQUE Bill meets a small client.

60% of its funds. Much of that is beamed at what Bill Gates calls "the Big Three diseases": malaria, HIV/AIDS, and tuberculosis. The foundation is both pushing to discover a preventive AIDS vaccine and to deliver antiretrovirals to people already afflicted with the disease. In other areas, spending is focused on making medical "leaps"—the discovery, say, of a chemical that would block malaria-transmitting mosquitoes from smelling humans.

The Pacific Northwest receives sizable Gates grants. The national drive, meanwhile, is riveted on improving high schools, which Bill Gates has called "obsolete." The foundation and its partners have started 900 new schools and "redesigned" 700 others. The schools effort has stuttered some as the foundation has struggled to find out what works. But CEO Patty Stone-sifer says roadblocks only stiffen the foundation's resolve. "We'll be stepping up our investment here," she says, "because providing every student a quality education is key to ensuring equality of opportunity." — C.J.L.

Burnishing Hennepin Avenue and Making the State Shine

By Henry Owen

Lee Lynch calls himself “an advocate for Hennepin Avenue,” and that’s a talk he definitely walks. He’s spent “a lot of time and money” on the restoration and upgrading of his favorite street through an ownership interest in historic theaters and a number of other buildings, primarily housing offices.

Lynch retired in April as chief executive officer of the Carmichael-Lynch Advertising Agency, which he founded in 1962, but remains a partner in the Historic Theater Group, a for-profit manager of the refurbished State, Orpheum and Pantages theaters in downtown Minneapolis.

He’s married to Terry Saario, former president of the Northwest Area Foundation, and they share a simple philosophy of philanthropy: “My wife and I have helped our [four] children with the purchases of houses; we’re providing for the education of our grandchildren, and we’re giving everything else away.”

“We have been very supportive of arts and arts organizations,” Lynch said. This includes giving to capital campaigns for the new Minneapolis Library, Walker Arts Center, the Institute of Arts, Children’s Theater and Planetarium—as well as the new Abbot-Northwestern Heart Hospital. Noting that these campaigns were conducted about the same time, he said, “We’re proud of the community’s ability to pull all of this off.”

The couple’s personal philanthropy was reflected in Lynch’s corporate life. For many years, Carmichael-Lynch belonged to the 5 percent club, composed of companies that pledge 5 percent of federally taxable income to support community nonprofit organizations. The 300-employee ad agency, with interesting clients—such as Harley-Davidson motorcycles, Gibson Guitars and Porsche cars—today donates in the 2 percent range, as part of the Interpublic Group of Companies, which acquired the firm in 1998.

Lynch devotes time as well as resources to community-related programs. He’s a board member of the Pantages Theater, Minneapolis College of Art and Design and the Benton Foundation of Washington, D.C., a communications-policy foundation tackling issues such as advertising to children.

Policy—specifically, **tax policy—recently propelled Lynch into the headlines, as chairman of the board of Growth and Justice, a think-tank devoted to state-level economic policy.** The group recently sponsored a full-page advertisement in the Minneapolis Star-Tribune in support of higher taxes on high earners “**to invest more in the state’s future**”—in education, health and transportation.

The think tank states its goal as “moving the needle on a small number of strategic measures of the state’s success: more Minnesotans with post-secondary degrees, a healthier population, less time lost to traffic congestion, more reliance on renewable energy and income growth that outpace that of the nation.” Lynch adds, “All of these, successfully invested in, will have a huge economic impact on the state.”

More than 200 high-income Minnesotans signed the advertisement and, Lynch said, “We’ve been stunned by the positive response. Hundreds more have joined us, with new ones coming in all the time.” Gov. Tim Pawlenty was not one of those. He offered to have his picture taken with any of the advertisement signers who would write a check to the state for what they volunteered to pay in additional income taxes.

The governor’s photo-op suggestion “is sort of an indication that he really doesn’t understand how we have underinvested in the future of this state,” Lynch said. “By simply going back to the tax rates of the ‘80s and ‘90s we could have \$2 billion per year to invest in real prosperity ... real ... not just an ATV trail near Ely.”

The proposal stresses “tax fairness,” with an increase of 2 cents on the dollar for earnings above \$275,000, decreasing down the income chain, according to a Growth and Justice announcement. Overall, the boost would amount to about a penny for each dollar earned by Minnesotans, but “virtually nothing below \$45,000.”

Lynch said, “The cost of government traditionally has been 17 percent, including all income and sales taxes and fees. It’s now been taken down to under 16 percent.” Recovering that percentage point would “return Minnesota to its rightful place as a really progressive state.”

Whether Lynch is progressing down a Hennepin Avenue that he has helped enhance or advocating for a progressive tax increase to improve Minnesota, one thing remains constant: It’s his example of walking the talk.



One Percent Club member Lee Lynch: “By simply going back to the tax rates of the ‘80s and ‘90s we could have \$2 billion per year to invest in real prosperity ... real ... not just an ATV trail near Ely.”

By DAVID CAY JOHNSTON

PHILANTHROPY, like foie gras, is an acquired taste. And Warren Buffett embraced charity with extraordinary gusto last week, announcing that he would give away 85 percent of his \$44 billion fortune.

His megagifts, like many of his investments, buck the popular trend. Giving by the richest Americans has fallen in recent years, with the biggest declines at the very top, based on deductions Americans take on their tax returns. Among Americans who at death left a taxable fortune of \$20 million or more, the average charitable bequest fell by \$2 million, or 9 percent, from 1995 to 2004.

Almost alone among rich Americans, Mr. Buffett has argued that estate taxes should be increased, not eliminated. Mr. Buffett says the estate tax helps build a vibrant economy of innovators and strivers — a true meritocracy — and that repealing it would risk a stunted economy controlled by aristocratic inheritors. Repealing the estate tax, he has said, would be the economic equivalent of “choosing the 2020 Olympic team by picking the eldest sons of the gold-medal winners in the 2000 Olympics.”

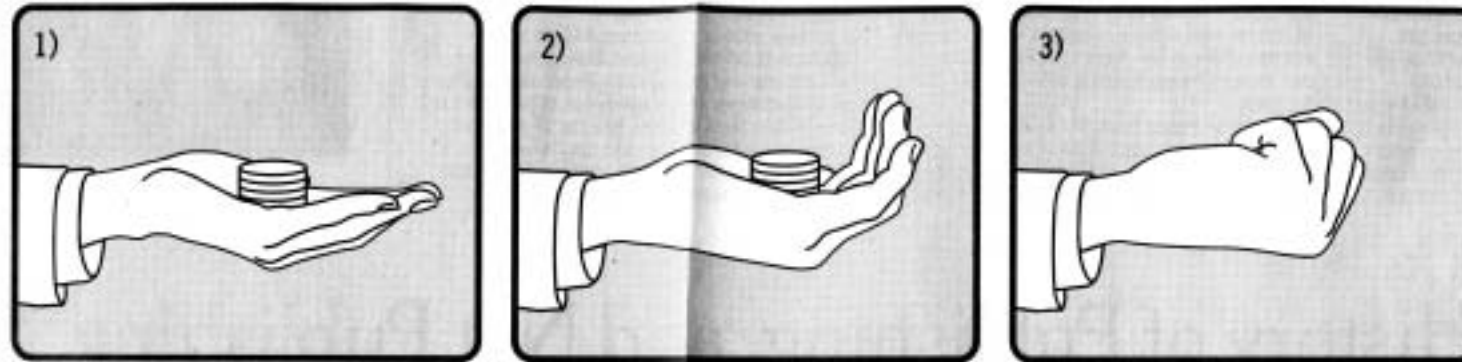
Bill Gates, a founder of Microsoft and close friend of Mr. Buffett, has not taken a public position on the estate tax, but his father leads the movement to keep it. Few ultrarich families agree, and 18 have spent \$500 million since 1994 lobbying for estate tax repeal, according to disclosure records examined by Public Citizen and United for a Fair Economy, which want to keep the tax.

How do they give compared with the Gates and Buffett families? In some prominent cases, not nearly as generously. The Walton family owns Wal-Mart stock worth more than \$90 billion, more than twice the value of the Gates family’s Microsoft stock. But the Bill and Melinda Gates Foundation is 35 times larger than the Walton Family Foundation, tax records show.

The Mars family, known for its candy company, has an estimated net worth of \$12 billion. The Mars Foundation gave away \$795,000 in 2004 — 97 grants averaging \$8,200 each. The Walton Foundation gave away 127 times as much, the Gates Foundation more than 1,900 times. “The Waltons have said they will increase their charitable giving in the future,” said Jay Allen, a family spokesman. The Mars Foundation said the family did not comment on such matters.

Of course, until last week, Mr. Buffett was not known for his giving, either.

The Ultra-Rich Give Differently From You and Me



Decline in Gifts by Wealthy Americans

Warren Buffett’s \$37 billion in gifts notwithstanding, the richest and highest-earning Americans have cut back on donations since 1995.

CHARITABLE GIFTS AS A PORTION OF INCOME

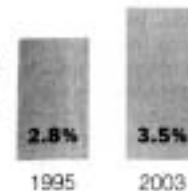
INCOMES MORE THAN \$1 MILLION

Among these taxpayers, the percentage of their income given away fell from 1995 to 2003.*



INCOMES LESS THAN \$1 MILLION

The generosity of this group has grown. By 2003, they gave nearly the same share of their income as those in the million-plus income bracket.*



*Based on deductions taken on tax returns.

Source: Internal Revenue Service

GIFTS AT DEATH

Among taxable estates worth \$1 million or more, the percentage of that wealth given to charity fell from 1995 to 2004.



And a greater percentage of these estates gave away nothing.



The richest estates, worth \$20 million or more, give a greater share of their wealth. But that share has been declining, from a quarter of the average estate to about a fifth of it.

