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WORKING WEALTH℠

DIALOGUES

FINANCIAL STRATEGIES FOR DISCUSSION℠

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The One Eleven Group at Smith Barney will empower you to **establish order in your financial life** and give you the **freedom to pursue your passions**.
Utilizing a combination of wisdom and experience, our comprehensive team approach will enable you to develop and implement a ***strategic wealth plan***.

Looking Beyond Short-Term Volatility

Whether you get your news from the papers, television or the Internet, you know how quickly the financial markets can change. Some days are euphoric (a key economic report may bolster consumer confidence or a company reports better-than-expected earnings for the quarter, igniting market indexes). Other days, however, aren't as sunny—and some of them may be downright unnerving. So what are some of the possibilities when an inevitable downturn occurs in the market?

An important piece of advice to keep in mind during a market slide is one you've no doubt heard before: Do not overreact. Even though your instincts may be telling you to try to protect your investments by switching to a more conservative approach or to liquidate your positions in hopes of buying them back at lower prices when the worst is over (an approach known as "timing" the market), it's important to keep your emotions in check—and your eyes on the long-term horizon. History tells us that over the long run the stock market can be quite resilient. From wars to natural disasters to economic meltdowns, the market has seen it all—and over time has shown remarkable capacity to bounce back. While it's not always easy to maintain long-term perspective, overreacting to events as they unfold may compound the damage—and you may end up selling at the bottom or missing part or all of a subsequent market recovery. To help protect against short-term volatility and the anxiety it may create, together, we can help develop a diversified investment plan that reflects your long-term goals and tolerance for risk. By reviewing the investment plan on a periodic basis, we can try to alter it as needs change. At Smith Barney, our primary focus is ensuring that your wealth continues to work hard for you day in and day out.

Past performance is no guarantee of future results. Diversification does not ensure against loss.

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Impact-Based Philanthropy

How to Ensure Your Gifts Make a Difference

Many families use philanthropy to express their values and pass them on across generations. If you would like to accomplish this, ideally you should develop a detailed family philanthropy platform that translates your personal interests into concrete goals and measurable accomplishments.

Unfortunately, few individual philanthropists or family foundations have the time, resources or know-how to research nonprofit organizations, evaluate funding opportunities, arrange site visits and administer grants. All of these steps are necessary to being a strategic, effective donor. More importantly, skipping any of these steps may compromise the effectiveness and impact of your gift.

While no family launches a charitable giving vehicle with the intention of spending time and resources without results, it often can be difficult to quantify or even evaluate the effect of your philanthropy. Certainly every family hopes that their giving will have a positive influence on the lives of others, but how can these results be measured? Or should they be? Are tangible results the only indicator that a philanthropic vehicle is successful? The question of effectiveness is so multifaceted and subtly nuanced that donors and the nonprofit organizations they support can become overwhelmed easily. They often then fall into the "paper trap" of requiring the nonprofit to report on everything—even if the result evaluates nothing.[1]

Reevaluating Evaluation

In the frenzy over accountability, donors and grant-making organizations (or "funders"), as well as the general public, are calling for more program evaluation. But few nonprofits understand evaluation well enough to conduct or commission high-quality studies. Without sufficient knowledge of the evaluation process or funding, nonprofits often collect piles of unnecessary, irrelevant data at a great cost to themselves and ultimately to the donor—whose valuable gift is being wasted offsetting these costs.

Despite all the time and money invested in creating reports, most do little to enhance a nonprofit program's effectiveness. Funders rarely ask a nonprofit to explore ways that it could implement positive changes and improve its services. Instead, funders tend to focus on how the nonprofit spent its money. These reports add no value to a donor's decision making and do not help the nonprofit improve its services. What's more, most reports generated by nonprofit organizations fail to show whether or not the donor's contribution is making an impact. The only surefire way of measuring impact is to conduct expensive and lengthy studies involving control groups. Because so many people underestimate the difficulty and cost of demonstrating results, nonprofits often collect reams of data that are not only useless, but also misleading. As a result, evaluation is failing to help make the social sector more effective.[2]

Proven Programs That Assess Impact

The question of what to evaluate is riddled with controversy. Experts in the evaluation community question whether donors should conduct more evaluations that judge whether programs made an impact or do more evaluations that help organizations improve their programs and projects. Because donors ask for different reports, methods and measurements, many nonprofits spend a lot of time tailoring their reporting to each funder's tastes. All of these customized reports take time away from the actual mission of the nonprofit organization and typically add little or no value, other than simply satisfying a donor's request.

Instead of wasting time and money reinventing the wheel, you should consider using programs that have already been proven effective to track the results of your giving. Several organizations review studies of program effectiveness and publish their review online. Some examples include the What Works Clearinghouse (www.whatworks.ed.gov), a project of the U.S. Department of Education, which rates the effectiveness of educational interventions. Another is the Campbell Collaboration (www.campbellcollaboration.org), which prepares systematic reviews of policies and practices in the areas of crime and justice, social welfare and education.[3]

Four Steps of Prudent Social Investing

For large contributions from wealthy individuals or family foundations, an independent advisor may be hired to help ensure that the donor's good intentions are maximized. But even smaller gifts can benefit by following "four simple steps of prudent social investing," according to Eric Kessler, principal of Arabella Advisors, a philanthropic consulting firm headquartered in Washington, DC.

By giving your philanthropy some thought, you can realize your desire to be socially responsible and personally gratified while maximizing the impact of your contribution to the causes you feel most passionate about. Here are Kessler's four simple steps that can help you make a powerful difference with your giving.[4]

Step 1: Develop a Sound Giving Strategy

Begin by understanding your style of giving. Do you respond spontaneously and emotionally to every organization that solicits your support? If so, at the end of the year, your record of charitable giving might well resemble an impulsive shopping spree. Instead, consider seeking out organizations you really want to support instead of waiting for them to come to you. Also, rather than giving to a general category such as "the arts," consider targeting a specific program—or multiple programs in the same category—and earmark your donation. Be flexible in your giving and be prepared to give extra assistance to deserving nonprofits if unexpected situations arise.

Step 2: Conduct Your Due Diligence

Just as you would before investing in a publicly traded company, a mutual fund or a new venture, make conducting due diligence a top priority before you contribute to any nonprofit organization. Evidence that the organization is as effective as it claims to be should not be limited to its glossy images of smiling children.

Have you ever sought out copies of your favorite charity's tax returns? They're publicly available and can help make an organization's finances and expenditures more concrete. However, these returns won't tell you what led to an increase or decrease in revenue, how effective or qualified senior management is, what contribution and level of participation a celebrity on its board is making or how its performance stacks up against other nonprofits focused on similar causes. To tap into this level of evaluation, look for online data-gathering resources such as the What Works Clearinghouse, the Campbell Collaboration (mentioned above), the BBB Wise Giving Alliance (www.give.org) or Charity Navigator (www.charitynavigator.org).

Step 3: Stay Focused in Your Giving

Effectively allocating your assets means staying focused within predetermined parameters. In fact, the cost of administering a small gift takes a greater percentage of the contribution than does administration of a large gift. If you're inclined to give multiple donations to a short list of favorite charities throughout the year, keep in mind that fewer but larger contributions will be more effective in realizing each recipient's goals.

Step 4: Measure Your Impact

Accountability should be as important a component in your philanthropic planning as it is in your investment planning. Remember, your giving should not be evaluated based on how much you gave, but instead on how much was accomplished as a result of your gift. Results are not just measured, however, by the number of meals served in a soup kitchen or books added to a library. Some donors shy away from general support contributions, fearful that they may lead to excessive overhead or because they want their dollars to be used only toward direct program expenses. But attracting the most qualified staff, paying rent and facilitating efficient administration are also crucial elements in any program's success and rarely receive needed support.

By giving your charitable gifts the same thought and attention you give your financial investments, your confidence as a philanthropic "investor" is sure to increase, while the "return" on your charitable portfolio is likely to be more meaningful and have a greater impact.

We would be happy to discuss your philanthropic goals with you in greater detail and help you access the philanthropic resources available at Citi.

1. Bauer, Doug, "Measuring Effectiveness as a Family Philanthropy," *National Center for Family Philanthropy Teleconference Series* (2005).
2. Snibbe, Alana Conner, "Drowning in Data," *Stanford Social Innovation Review* (Fall 2006).
3. Snibbe, Alana Conner, "Drowning in Data," *Stanford Social Innovation Review* (Fall 2006).
4. Kessler, Eric, Arabella Advisors, "Four Steps to Smart Giving," *Business Week* Online (November 22, 2006).

Could a Populist Presidency Affect Your Investments?

Among the many compelling issues that have emerged from the presidential nomination process is how both the Democratic and Republican nominees, to varying degrees, have embraced populist platforms.

Populism espouses government by "the common people," in contrast to *elitism* or *plutocracy*, both of which involve government by a small, privileged group above the masses. Importantly, populism implies that the "common people" are distinct from the elite "at the top" and the poor "at the bottom."

However you define it, populism promises to remain a political force beyond 2008. Whether it's in the area of taxes and fiscal policy, health care, globalization and protectionism, or energy policy and climate change, a populist presidency has potential implications for your investment portfolio.

To learn more about this political dynamic and some of the potential effects, call us today to request a complimentary copy of our in-depth research report, *A Populist Presidency? Potential Investment Implications of Populist Platforms.* Forward-thinking analyses like this are just one way we at Smith Barney find smart ways to put your wealth to work for you as times change.