Beat: Business

Not-so-noble crowdfunding sparks backlash

Cash

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USPA NEWS - As crowdfunding sites like GoFundme.com and Indiegogo.com started to take off, New York City editor Brandon Wenerd was more than happy to donate to worthy causes, like the kid with stage-four kidney cancer who wanted to travel the world.

Soon Wenerd, 30, was swamped with more selfish requests: people raising money not for anything high-minded or charitable, but for spring break trips, honeymoons and credit-card debt.
"It has taken on this air of panhandling to me," said Wenerd.
For anyone with a Facebook or email account, it is likely a familiar story. More and more family members, or friends, or friends of friends, or even strangers, are asking for help with the rent, or to fund a trip.
The crowdfunding field has ballooned to over $34 billion in just a few years, according to the consulting firm Massolution, up from $880 million in 2010, so it is perhaps inevitable to see some backlash.
"You know what people did before GoFundMe? They worked," said Damen Bell-Holter, a professional basketball player from Alaska who now plays overseas in Finland. He is among those who finds himself awash in crowdfunding requests, and is sick of them.
"Help me with my rent, help me with my school bills. I understand tragedy occurs, and some people legitimately need help - but others are just lazy," he said.
The floodgates to silliness opened when people figured out that the online interface allows them to reach out and ask for things they might not have the temerity to ask for in person, said Amir Pasic, dean of Indiana University's Lilly Family School of Philanthropy.
Even Kickstarter (kickstarter.com), which has successfully funded over 102,000 projects toward the goal of bringing "creative projects to life," helped one man raise over $55,000 so he could make potato salad.
GoFundMe (gofundme.com) has raised $2 billion in the last year, with some users currently seeking money to buy bottles of Hennessy cognac, Yeezy sneakers, and breast implants.
Indiegogo (indiegogo.com) has raised over $800 million for projects since its inception - including ventures like a bug-killing salt rifle, 13 dates for a British bachelor named Tom, caffeinated toothpaste and an attempt to bail out Greece.
These sites can also be fertile ground for potential scams. Washington State Attorney General Bob Ferguson calls the phenomenon "crowdfunding theft," and last year ordered restitution to donors who had paid up for one project of horror-themed playing cards and got zilch in return.
Vigilante sites have also cropped up, like Kickscammed (kickscammed.com) and GoFraudMe (facebook.com/GoFundMeGoFraudMe), to police crowdfunding projects which do not follow through on what they promise.
The main source of conflict: Once the funds are dispersed, there is not a lot of transparency. When famed girl group TLC raised more than $430,000 from fans last year to put out new music, the musicians faced backlash when no album emerged.

GIVE SMARTER
To effectively sort through donation requests, potential donors need to avoid information overload, which can make it hard to discern between the truly needy and the personal larks. Research shows when donors get bombarded with direct-mail requests for money, Indiana University's Pasic said, they do not get more generous - they just get really irritated.
Some stop giving altogether. If you get a crowdfunding request and do not know the person that well, "just ignore it," advised financial planner George Gagliardi of Lexington, Massachusetts.
If the situation is more delicate - such as a close friend or family member - Gagliardi suggested dividing the requests into varying levels of urgency, from "dire, life-threatening situations" all the way to "luxuries." Then you can make the call depending on the particular case, and your own financial ability to contribute.
The final step is to take the request out of the digital world. Ask yourself: Would this person actually ask for money to your face?
"People are using the cover of technological distance, and just hoping people will make quick donations on the fly," said Pasic. "If there is a genuine need, and a real case to be made, then try picking up the phone and talking with them about it."
(Editing by Beth Pinsker and Jonathan Oatis)

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