

What is a Crowd Funding Platform?

- A way to raise money via small contributions from a large number of people.
- Funding can be for a charitable cause, a for-profit project or business idea, or an individual.
- Typically internet-based.

Just like it sounds, a crowdfunding platform enables a crowd to fund a project, business, organization or even an individual's expenses. Using an internet-based platform, a person or organization can raise funds by inviting a large number of people to each give a small, easy-to-make contribution. Crowdfunding is one of the most common ways people give today.

How does it work?

There are thousands of crowdfunding sites, or platforms, to choose from. Kickstarter, GoFundMe and Kiva are some of the most well-known. The finer technical details of how crowdfunding works vary from site to site, but the basics are:

A person or group has an idea or a need, and decides to crowdsource funds to pay for it. They choose a third-party platform, or crowdfunding site, to host their fundraising campaign. They create the campaign on the site—which can involve anything from typing in a few details to creating a slick promo video and putting together rewards packages for contributors. The creators—and sometimes their friends and supporters, and/or the crowdfunding platform—spread the word about the campaign. Anyone who wants to donate can do so online.

Some platforms take a fee for their service. Some have other requirements. Notably, because the people or groups promoting a crowdfunding campaign are often not 501(c)(3) nonprofits, contributions to a crowdfunding campaign—even one focused on a charitable cause—may not be tax-deductible.



What are the pros and cons of crowdfunding?

On the one hand, crowdfunding democratizes finance and giving. It's easy and accessible. Anyone can seek funds through crowdfunding. You don't need to know venture capitalists or philanthropists. You just need an idea that lots of people want to fund—and the communication skills to let them know about it and inspire them to give.

Giving to a crowdfunding campaign is simple and convenient. You can give online in seconds. Compared to traditional philanthropic giving, which might involve researching the organizations funding a particular cause, and then making a considered decision about how much to give and where, the ease and immediacy of contributing to a crowdfunding campaign—not to mention the fact that gifts may be quite small—explains why so many people give in this way.

On the other hand, the explosion in crowdfunding is happening in a period when people have to crowdsource funds to pay medical bills or funeral expenses, and when teachers post classroom needs to Donors Choose just to get educational supplies you might expect would be provided by the school. From this view, crowdfunding is a symptom of a society that has failed to establish functional healthcare and education systems, or the result of a culture that's decided that isolated individuals competing for dollars makes sense as a way to meet basic needs.

Ideally, crowdfunding is one tool among many—including public funding, philanthropy, private financing and mutual aid—to fund exciting new projects, charitable causes and individual and community needs.

You may also want to check out:

- [Who is a small donor?](#)
- [What is a giving circle?](#)

