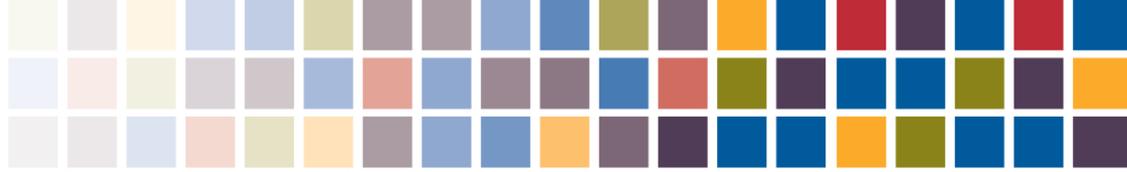


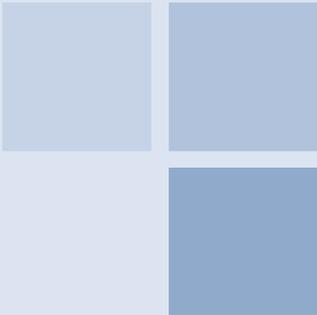


PHILANTHROPY
Australia



A Guide to Giving for Australians

Vanessa Meachen



Promoting Giving



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Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and to encourage others to become philanthropists.

Our vision: A giving and caring nation.

Our mission: To represent, grow and inspire an effective and robust philanthropic sector for the community.

Philanthropy: The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.

Philanthropic sector: Trusts, foundations, organisations, families and individuals who engage in philanthropy.

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Introduction

Over the past five years, Australia has experienced an unprecedented growth in philanthropy. This has been the result of a period of economic prosperity, as well as changes to the tax system which have both removed some disincentives to giving, and created a new, simpler structure for giving by families, companies and individuals, the Prescribed Private Fund (now known as the Private Ancillary Fund). It is also due to an increased public awareness of philanthropy and giving and the good that it can do. Many Australians discovered the joy of giving for the first time when they were moved to respond to the Asian tsunami disaster of Boxing Day, 26th December 2004, and to the Victorian bushfires of 7 February 2010.

Because of these changes, many people are now able to give philanthropically for the first time. If you are one of those people – or even if you are just thinking about it – this guide has been written for you. It is also intended to help if you have been giving in the past, and you now wish to better understand your options for giving.

This publication is a guide to philanthropy for donors. You don't have to be wealthy to give, nor do you necessarily have to be giving money. Philanthropy is a voluntary donation of money, goods or time for the public good – sometimes called “time, talent or treasure”.

This guide will not tell you the best way to give. Giving is a personal act, and you can choose many different ways to do it. This is a great advantage of private giving; it can be as individual and flexible as you wish. There are all kinds of givers out there, and there is room – and need – for all of them.

The best way for you will depend on your interests, level of income, desired level of involvement and other factors which are outside the scope of this guide. What we have done here is to detail the questions and issues you will need to consider while deciding how to carry out your giving. This guide offers some potential ideas, strategies and solutions for you to employ. It also offers some factual information, so that you can get an idea about the community you are now part of, the community of Australian givers.

More information, resources and advice on giving are available from Philanthropy Australia. If you need to discuss your giving options, we are here to help. Philanthropy Australia promotes giving and represents those that give to the community. *We Facilitate, Advocate, Educate, Communicate, and Promote* giving, working to ensure that the difference you make is rewarding for both the public good and yourself as a member of this generous community. See our website at www.philanthropy.org.au for more information.

What's What

This guide is divided into three sections.

Section One: Basic Considerations explores the factors which will influence ways in which you might choose to give. This section involves you asking yourself questions and establishing what you want to achieve through your giving.

Section Two: Examine Your Options suggests ways to further refine your giving options to develop a personal giving plan.

Section Three: Resources will point you to places to go for further help. It contains a glossary and appendices, further resources and some suggested reading. This section will help you understand the terms used throughout this guide, and will provide resources for you to rely on in the future.

Introduction to Terms

The non-profit sector is full of confusing definitions and terms. Here are a few of the terms you will encounter as you work through this guide.

Charity / charitable

In popular use the term charity is often used as a synonym for voluntary or not-for-profit organisations, popularly understood as organisations that raise funds for or offer support to the disadvantaged in society. However, the legal meaning of the term can differ from the popular understanding. In legal terms, a charity is an entity established for altruistic purposes that the law regards as charitable.

When we refer to a charity, or a charitable organisation, throughout this guide, we are referring to an organisation which has been endorsed by the Australian Tax Office as charitable.

It is important to recognise that some organisations which most people would assume are charities, including some hospitals, public art galleries, and other types of organisation, have not been endorsed as charities by the Australian Taxation Office. This is especially important if you are thinking about setting up a charitable foundation, as some types of foundation are limited to only funding endorsed charities.

Deductible Gift Recipient (DGR)

A DGR is a fund or organisation that has been endorsed by the Australian Taxation Office as a deductible gift recipient, meaning that donors can claim a tax deduction for donating to that organisation. Some DGRs are listed by name in the income tax law; these include organisations like Amnesty International Australia, Landcare Australia Limited and the Australian Academy of Science. There are also prescribed private funds listed by name

in the income tax regulations. For other organisations to be DGRs, they must fall within a general category set out in the income tax law. Examples include public benevolent institutions, public universities, public hospitals and school building funds.

Foundation

The word 'Foundation' is used to refer to many different types of organisation, including charitable grantmaking trusts, public funds which raise money from the public, and gift funds which raise funds to finance a single organisation. When we talk about a foundation in this guide, we are generally referring to a charitable trust which exists for the purposes of making grants to non-profit organisations.

Non-profit, not-for-profit

A nonprofit organisation is an organisation whose primary objective is something other than the generation of profit. Non-profit organisations range from sporting clubs and hobby groups to community centres, neighbourhood houses, traditional charities, health promotion organisations, aged care homes, disability support groups, etc.

Tax Concession Charity (TCC) [formerly Income Tax Exempt Charity (ITEC)]

A tax concession charity is a fund or institution which has been endorsed as charitable by the Australian Taxation Office. It is important to note that not all organisations which are tax exempt are actually tax concession charities. An organisation which has been endorsed will be in possession of a certificate from the Australian Taxation Office which states that it has been endorsed as a Tax Concession Charity, or an Income Tax Exempt Charity.

**More information is available from Philanthropy Australia.
Contact us for further information or to talk about your giving options:
www.philanthropy.org.au**

Section One: Getting Started

This section asks you lots of questions, and we have included worksheets for you to note down your responses.

How do you want to carry out your giving? You can be as hands-on or as removed as you wish; you can give to a particular cause for which you have a personal passion, or to a variety of causes. You can use the advice of experts and researchers or follow your personal desire. It's up to you.

You may choose to give in an unplanned way – in response to requests or appeals, or motivated by personal interests which change over time. Or you may choose to utilise any of a number of options for planned giving, with varying degrees of control, flexibility and tax benefits. You might also want to join with other people, both for the shared experience and to pool your resources for greater impact.

With so much choice, you will want to narrow down your options to work out the best plan for you. Let's begin by assessing your situation. There are several things to take into account.

- A) Personal Motivations – why do you want to give?
- B) Assets – what do you have to give?
- C) Constraints – what limitations might you have?
- D) Giving focus – what and who do you want your giving to benefit?

Let's look at each of these in more detail.

A). Personal Motivations

Why do you want to give? It's worth pausing to consider your motivations, as these can influence the decisions you make. The following worksheet may help you to work out your motivations.

WORKSHEET - Why Give?

Here are some typical motivations for giving. Take a moment to rate these motivations from 1 to 5, depending on how strongly you feel about them. Be honest with yourself – nobody else is going to see or comment on this! And remember, there are no right or wrong answers.

Circle a number for each motivation, depending on how strongly you feel it influences your desire to give.

Motivation	<i>Not strongly</i>		<i>Very strongly</i>		
	1	2	3	4	5
Personal passion for a cause	1	2	3	4	5
Obligation	1	2	3	4	5
Peer pressure	1	2	3	4	5
Faith and religion	1	2	3	4	5
To be a leader	1	2	3	4	5
To give back to society	1	2	3	4	5
Lack of heirs	1	2	3	4	5
To make a public stand for positive values in society	1	2	3	4	5
Desire to make the world a better place and make other people's lives better	1	2	3	4	5
To have a significant as well as a successful life	1	2	3	4	5
Desire to be remembered beyond your lifetime	1	2	3	4	5
Bringing the family together and ensuring shared family values	1	2	3	4	5

After doing this, take time to write here the three motivations which are most important to you.

1.

2.

3.

What pattern do you see? This might give you some clues as to the types of organisations you might like to give to, or how your giving might be structured.

For example, if the most important motivations are ensuring shared family values, bringing intergenerational family members together, and to be remembered beyond your lifetime, perhaps a permanent structure such as a foundation would be most appropriate – a family foundation which would be governed by family members and your descendants.

If you wish to be remembered beyond your lifetime, you may wish to bequeath money to establish a trust to be named after you.

If you are moved by a personal passion for a cause, you will probably already have some knowledge about the active charities in that field and the kind of work that needs to be done. Perhaps you would be able to donate some time and skills to one of those charities in an area you feel really needs some help.

B) Assets

This is one of the most important considerations because it will give some clues about what is the most practical giving option for you. Assets can be financial or can involve the time and skills you have to offer.

Here are some things which will have an impact on your financial giving:

- The amount of money you have to give
- The period of time over which you can expect to give this money – do you want to do it as a lump sum, or gradually?
- Whether you think you will want to leave your options open to change the structure of giving in the future
- Any money you might like to leave to a charitable cause in your will
- Any property you might like to donate – artworks or conservation-important land, for example
- How long you want to give for. You may wish your giving to cease upon your death, to continue in perpetuity, or to continue for a limited time after your death.

If you wish to give through a trust or foundation, the size of the sum you have to invest in that foundation will affect the type of legal structure which is most appropriate. There are both establishment and ongoing costs to consider. If you intend to establish a trust which will last in perpetuity, you need to invest enough capital in that trust to earn significant enough interest to give away, and to grow the corpus so the real value of your giving is not eroded by inflation. Without a significant sum to invest, there are other options which may work better to maximise your giving.

Here are the questions about skills and time:

- How much time do you want to donate to a charitable cause?
- Is the level of time you can commit likely to change in the future?

- Do you have special skills you might have which could benefit charities? These can include legal expertise, financial management, accounting skills, business or marketing skills, information technology skills, teaching or caring skills...
- Are you passionate about the cause? Unless you are committed and passionate about what you are doing, you may feel that your giving is more a burden than a joy.

A worksheet is provided here to help you work out what your assets may be.

WORKSHEET – Assets

Financial Assets

How much money do you want to donate?

Do you want to give it all at once?

If you want to give over a period of time, how much do you think you can give per year, for how many years?

Do you want to leave your options open, so you can change this in the future?

Do you want to leave some money to a charitable cause in your will? How much?

Do you have property you would like to donate to a charitable cause? If so, what is it, and what type of organisation would you like to give it to?

Time and Skills

How much time do you have to give to a charitable cause? (eg, one day per week, three hours a week, one day a month)

Is this level of commitment likely to change in the future? If so, will it increase or decrease, and by how much?

List any special skills or qualifications you have which you could use to benefit charities.

C. Constraints

It's also important to think about the factors which might negatively impact on how you choose to give. Here are the constraints or limitations you will need to take into account:

- **The reliability of your income**
How sure are you of having future access to the regular sum of money you've chosen to give? If you can be sure that your income will not fluctuate and that you will have a regular sum to donate, you can be reasonably confident about establishing a Prescribed Private Fund with an accumulation plan which requires your corpus to have reached a certain level after a specified period of time. If that is not the case, it may be preferable to give on a more ad hoc basis.
- **How much control you want over your giving**
Many donors want to be more closely involved with their donation than simply providing a cheque. Often this results from passion for, or expertise in, the cause they are supporting, and from a desire to "nurture" the project and ensure that it achieves its desired outcomes. Others who do not have the time to invest will employ professional staff or advisors, or will choose recipients they trust. If the gift is small, it is generally more practical not to become too closely involved with its implementation.
- **How much knowledge you have in the field(s) you wish to benefit**
You may have the desire to help in a specific field, but you may not know very much about the work that is being done, the organisations that are operating in the field and the kinds of projects that are most likely to succeed. If you are not particularly knowledgeable in your chosen field, you may choose to enlist the advice of experts in the field, professional advisors or other donors until you have built up a reservoir of knowledge in the area. Many peak bodies, research institutions, academics and other givers are happy to share their information, knowledge and research, and professional consultants and advisors are also available.
- **The financial resources and time you are prepared to devote to ensuring your giving is effective and appropriate**
If the size of your giving is small, it is probably not necessary to spend a great deal of time or money on monitoring the progress of your donations. However, if a donation is considerable, it may be prudent for the donor to have some involvement in managing the gift – both to ensure that the desired outcome is achieved, and to reassure the donor that their reputation is maintained.
- **Family complications**
While a foundation or giving plan can offer a wonderful focus for shared family activity and values, it can also magnify differences which may

already exist between family members. Conflict can arise within a family, and a foundation can be a focus for those tensions.

Sometimes you will need to weigh several of these factors against one another. For example, if you have a large sum which you would like invested in perpetuity for charitable purposes, and you have skills in financial management but are time-poor and have little knowledge of the charitable or community sector, you may wish to establish a charitable foundation and use your financial expertise as a trustee of that foundation – but find staff members who have the right knowledge and expertise in the charitable sector to focus on the program side.

D. Giving Focus

What are the causes or people you wish to benefit from your giving? What are you passionate about? What issue do you feel most strongly about? What is the problem you feel you would like to fix, the need you want to address – or who are the people you want to help? What do you want to help change?

It might help here to consider some charities you have supported in the past, and how strongly you felt about supporting them.

The causes you want to support might fall within the following charitable areas:

- Social welfare
- Culture and the arts
- The environment
- Religion
- Science
- Social sciences
- Advancing human knowledge – research
- Health
- Education
- Animal welfare
- Recreation and sport
- Community development and housing
- Civil society, law, legal rights
- Voluntarism, philanthropy, nonprofit organisations
- International development and international relations

And what groups of people (or animals) do you want to help?

- Disadvantaged people – such as those from low income backgrounds
- People with health issues – the sick or elderly, or those who care for them
- People with disabilities
- Children, young people, families
- People from indigenous backgrounds

- People living in remote communities
- People living overseas
- Artists, students or researchers
- Refugees and asylum seekers
- Ordinary Australians
- Animals, birds or marine life
- Gifted people with exceptional skills

You might also like to think about whether there is a geographic basis to your giving. Do you want to concentrate your giving in an area which you know well and are fond of, perhaps an area in which you live or grew up? Do you want to give to more remote communities, to people in rural Australia, to small or large towns – or to urban areas? Do you have a link to other countries and want to support them through your giving? Or does geographic focus not matter to you?

There may be just one or two causes which matter to you – or you may decide to choose a portfolio of five or six (or more). You may choose a very concentrated focus or be as broad as you wish. If you choose several causes, you may wish to devote a certain portion of your giving to each – or to leave it flexible depending upon how you, and the outside world, change focus.

You may also want to have some funds available for unplanned giving – such as responding to disasters, to specific appeals which you hadn't anticipated, or to a cause which you may become aware of in future.

WORKSHEET – What to Give To

What causes do you want to give to? Some examples are listed below.

- Arts and Culture
(eg, performing arts; visual arts; architecture; history; literature; art galleries, museums; film)
- Education
(eg, early childhood education; scholarships; adult education; higher education; libraries; vocational/technical education)
- Science
(eg, engineering; technology; scientific research; public scientific education)
- Social Sciences
(eg, psychology; behavioural science; population studies; politics)
- Environment
(eg, sustainable development; land conservation; pollution control; global warming; natural resources conservation)
- Animal Welfare
(eg, threatened species protection; wildlife preservation and rescue)
- Recreation and Sport
(eg, recreational facilities; community sporting events)
- Health
(eg, health care; medical research; mental health; substance abuse; health promotion; public health and safety)
- Social Welfare
(eg, material assistance to the disadvantaged; support for people experiencing hardship)
- Religion
(eg, interfaith issues; promotion of religion)
- Community Development and Housing
(eg, economic and social development; housing; business development)
- Civil Society, Law and Civil Rights
(eg, legal rights and services; human rights; civil rights and advocacy)
- Philanthropy, Voluntarism and Nonprofit Infrastructure
(eg, support and promotion of voluntarism; promotion of philanthropy)
- International Development and Relations
(eg, international aid and relief; peace and security; promoting international understanding)

List here the causes you would most like to give to.

WORKSHEET - Who to Give to

Who are the people you would like to benefit? Some examples are listed below.

- Families
- Children and Youth
(incl. pre-school children; primary aged children; teenagers)
- Ageing and Elderly People
- Women and Girls
- Men and Boys
- Same-Sex Attracted People
- Disadvantaged and Low Income People
- Indigenous Australians
- Ethnic Groups
- Immigrants and Refugees
- People in remote and rural areas
- People with a Disability
(incl. people with physical disability; people with intellectual disability)
- Addicts
(incl. alcoholics; substance abusers; problem gamblers)
- Offenders or Ex-Offenders

List here the groups of people you would most like to give to:

List here the geographic areas you would like to focus on (if any):

**Finally, from this worksheet and the previous one, what statement can you make about your giving?
(Example: “I would like to help provide university scholarships for young people from rural New South Wales” “I want to provide funds for top quality performing arts companies” “I want to give broadly to people suffering from economic hardship”)**

For some people this exercise may lead to a very specific idea about what you wish your giving to achieve – for example, you want to fund health care for children and parents from indigenous backgrounds in remote communities. Or you might decide that you want to fund medical research at a national centre of excellence. Others may have general ideas only. Here are some questions to help you narrow down your focus.

For example, perhaps you have chosen the arts as something you feel strongly about. Ask yourself why you feel that way, and which aspects of the arts appeal to you most. Here are some suggestions.

- You feel that artistic expression is a vital part of a rich, intelligent culture
- You feel that young artists have a hard time and don't receive enough support in their career development
- You feel that art is important for its own sake, and the pure development of works of art needs support
- There is evidence to indicate that participation in the creation of arts and culture is a vital contributor to the self-esteem and wellbeing of fragile, at-risk people
- Arts and culture are not widely enough patronised by most Australians
- You think that indigenous art is an important industry to support remote indigenous communities
- You would like to give people in rural and regional Australia the opportunity to see art exhibitions they would not otherwise have the chance to see
- You would like to assist Australian galleries to buy more great artworks from overseas
- You would like to assist Australian galleries to support more Australian artists by displaying their works
- You would like young Australian musicians to have the opportunity to study overseas and gain valuable skills and experience
- You would like to be a patron of the arts and to become part of the arts community

As you can see, there are a myriad of reasons an individual might wish to support the arts, and many ways in which that support can be expressed. The same goes for any other cause. Your motivation will influence the way in which you support your chosen cause. If you decide that you want to support the pure development of artworks, perhaps a fellowship or scholarship to assist young emerging artists, to give them time in which to work or to develop their skills, would be more appropriate. If you would prefer to help develop the arts as a form of welfare, perhaps you might like to provide some support funding to a welfare organisation with an arts program.

Some of the factors you might take into account in refining your options are the following:

- What needs seem to be the most pressing in this area?

- What needs or groups seem to be neglected or overlooked in this area – where are the gaps?
- How can you best make a positive difference?
- How much do you know about this area? Do you know enough to confidently rely on your own assessment, or should you seek external advice?
- What types of assistance do these charities/communities need (for example, support for vital core work; support for innovative pilot programs; contribution to vital capital works; research fellowships; loans; material goods; donations of land; or non-financial assistance, such as someone to write a business plan, design a website or help manage finances?)
- What other funding is available in this area? Is there government funding available? Are there other private funders operating in this area? If so, should you work together with them?
- What is government policy in this area?

You may not be able to answer all these questions now. They will give you a basis for further discussion, reading and research.

Now that you have clarified what it is you want to achieve with your giving, we can move on to explore the ways in which you might implement your giving.

**More information is available from Philanthropy Australia.
Contact us for further information or to talk about your giving options:
www.philanthropy.org.au**

Section Two: Examine Your Options

The first decision you must make is to establish whether you want your giving to be formalised and structured, or flexible. Some of your answers to previous questions may have guided you in this respect. If you haven't yet made your decision, here is some information to help you.

Unplanned giving

The main advantages of unplanned giving are that it is easy and flexible. There is no need to create a formal structure or establish a separate organisation. You have total control over your giving – you can choose the causes and organisations that appeal to you, can change your giving focus at will, and can control the amount you are giving. You can give informally at any time of the year, and can respond to appeals and emergencies as they arise. You will still receive a tax deduction, provided that your donation is made to an organisation that has deductible gift recipient status.

The main disadvantages of unplanned giving are that you may find it difficult to see the results of your giving. Unless you are donating large amounts, it is often difficult to measure what the outcomes of your gift have been. Your giving may be thinly spread over so many projects that it is difficult to see what real benefits have accrued. And unless your donation is very large, most charities cannot tell you precisely how your gift was spent. There is also little likelihood that your giving will continue after your death unless you have made provision for this.

Unplanned giving may be the best option if you have a limited amount to give, are relatively uncertain of the reliability of the sum you will have available to give every year, or prefer to keep your options as open and flexible as possible.

Planned giving

There are many options for planned giving, and many structures which can be used, with different benefits to each. Planned giving provides a formalised structure for your giving, so that it can take place independently of your continued action. With some structures, your giving can continue to provide a lasting and living memorial after your death. You are also generally assured that you will be able to keep track of the effects of your gifts, and in many cases you will be able to dictate how the gift is spent and obtain a report on the results.

Planned giving does not always have to be via a trust or foundation. Other choices for planned giving include community foundations; payroll deduction schemes; joining with other givers to make a donation to a common cause; and establishing a giving circle.

The main disadvantage of planned giving is that there are generally many legal and formal requirements to fulfil if you are going to establish a charitable trust or foundation, especially if your foundation will be an independent organisation and will accept and respond to submissions. As well as work to be done on the establishment of your foundation, and the associated costs, there will also be ongoing financial commitments and an ongoing need for time and energy. You will have to meet various legal obligations, and the degree of control you maintain over your foundation will vary with the number of other trustees you choose to appoint and the level of tax benefits you wish to obtain.

Giving tools

There are several mechanisms for giving available. Here we will go into each of them in some detail, with their advantages and disadvantages. You may choose to use one of these tools, or a combination of them.

A. Options for unplanned giving

1. Giving money directly to a charity
2. Donating time to a charity
3. Donating goods or property to a charity
4. Donating directly to individuals (rarely tax deductible)

B. Options for planned giving

1. Setting up your own charity
2. Leaving money in your will to a charity
3. Setting up your own charitable foundation
4. Leaving money in your will to establish a grantmaking foundation
5. Establishing a foundation with a trustee company
6. Donating to another grantmaking foundation
7. Setting up a sub-fund of a community foundation
8. Giving through an intermediary such as United Way
9. Joining with others to develop a Giving Circle
10. Donating through a payroll giving scheme

Here are some advantages and disadvantages of each of these methods.

A. Options for Unplanned Giving

1. Giving money directly to a charity

Donating or direct giving is possibly the most common form of charitable donation in Australia, with over \$2.3 million worth of tax deductible gifts claimed in 2007-08¹. Most people start giving this way, through making donations to causes or organisations which particularly appeal to them. Its greatest advantage is that it is simple; the donor has merely to choose a charity, make the donation and receive the receipt, which is vital if the donor wishes to claim a tax deduction. If the organisation to which the money is donated is a DGR (Deductible Gift Recipient), the donor will receive an income tax deduction. The donation is usually “no strings” and the charity can therefore use the money wherever it is most needed.

With most direct donations, unless the sum is very large, the donor will have no say over where the funds will be allocated. Since individual sums are generally not large, the recipient organisation will rarely have the means to keep track of the purpose to which a particular donation was allocated.

Advantages

- Simple and quick
- The charity will be able to spend the funds in the area of most need
- The donor will receive a tax deduction (if the donation is made to a charity which is a DGR)

Disadvantages

- No control over programs or how the funds are spent
- Little to no way of measuring the impact of your donation
- Difficult to ascertain which charity is the most appropriate to donate to

2. Donating time to a charity

Usually known as volunteering, this is a very common method of assisting charitable organisations in Australia; over 4.6 million Australians volunteered in 2006-07, the value of their contribution being estimated at \$14.6 billion². Sometimes a charity can use unskilled volunteers to carry out work which requires minimal skills or supervision, such as picking up rubbish or stuffing envelopes. Other charities will need to train volunteers, especially when they will have to deal directly with clients or the public. Volunteer work may be seasonal, such as packing and delivery of Christmas hampers.

There is also a great need for volunteers who are highly skilled. Volunteers may be able to assist charities with vital needs such as developing a business plan, sourcing discount vendors or venues, accounting and management help

¹ *Taxation Statistics 2007-08*,
<http://www.ato.gov.au/corporate/content.asp?doc=/content/00225078.htm&page=45&H45=&pc=001/001/009/005&nu=43433&mfp=001/001&st=&cy=1>

² Productivity Commission 2009, *Contribution of the Not-for-Profit Sector*, Draft Research Report, Canberra.

or information technology skills. These are all great needs for charities which can be very expensive for the charity to purchase.

Advantages

- Inexpensive
- Can utilise special skills which the charity would find it expensive to purchase
- Direct personal involvement is very fulfilling

Disadvantages

- Little public acknowledgement of volunteers
- A significant investment of time and effort may be required by the donor
- Logistics and resourcing issues mean that volunteers will not always get to do exactly what they wish to

3. Donating goods or property to a charity

When making donations of goods or property, take care that the charity is not being burdened by the gift to the point where the gift costs more than it achieves. An example might be the home of a famous author, donated to a charity on condition it be made into a museum and a centre for writers. The charity will be required to maintain the building and to make it suitable for public attendance, as well as to pay land taxes, insurance and possibly modify the building for such things as public toilets and access for the disabled. In many cases this can lead to an already overstretched organisation being forced to spend large sums on a property, or else not being able to use it for its intended purpose because the expense is too great. In such a case it may be advisable to talk to the charity first, to ascertain whether they really have a need for such a property, and also to make provision for a sum to be held in trust for the ongoing upkeep and other costs so that the charity does not end up out of pocket as a result of the gift.

Donations of collectibles and artworks require similar consideration. Many personal collections which hold great value to their owners are not necessarily of broader interest or value to the community, and their conservation and curation may be extremely costly.

Two specialist schemes have been established to enable tax advantages for donations of property to cultural and environmental organisations.

The Cultural Gifts Program encourages gifts of significant cultural items to public art galleries, museums and libraries by offering donors a tax deduction for the market value of their gifts. Gifts made under the program are exempt from capital gains tax and the tax deduction may be spread over a period of up to five years. The donation must be accepted by the institution it is gifted to, and the amount of the deduction will be the average of two or more written valuations made by valuers approved by the Secretary to the Department of Communications, Information Technology and the Arts. For more information, visit the Non-Profit section of the ATO's website and download the fact sheet

on Cultural Gifts Program and Tax Deductible Gifts at <http://www.ato.gov.au/nonprofit/>

There are several options for making a gift of land, depending on whether you want to live on the land until your death, donate the land outright, sell it to a conservation organisation, or a combination of options. For information on making a donation of land to an environmental group, or on bequeathing land or taking out a conservation covenant, a guide is available from the Department of Environment and Heritage website – <http://www.deh.gov.au/>

Advantages

- Can utilise items which would otherwise be of little use to donor
- Some tax advantages available in certain cases

Disadvantages

- Care must be taken not to burden an organisation with goods or property which they cannot use

4. Donating directly to individuals

It is virtually impossible to obtain a tax deduction for a donation to an individual unless there is a necessitous circumstances fund set up to benefit that individual. There is also the possibility of donating to the Australia Cultural Fund for the support of individual artists.

A necessitous circumstances fund is a tax deductible fund established and maintained for the relief of persons in Australia who are in necessitous circumstances. The expression 'necessitous circumstances' refers to financial necessity. It does not extend to needs generally, so a necessitous circumstances fund cannot be established solely because a person is sick, disabled or elderly, or because they have lost a job or a family member. To be considered to be in necessitous circumstances, a person's financial resources must be insufficient to obtain all that is necessary for a modest standard of living in the Australian community.

For donations to artists, the Australia Cultural Fund enables donors to make donations to organisations that do not have DGR status, and individual arts practitioners who are unable to obtain DGR status in their own right, and still claim a tax deduction. There is no money in the Fund – artists and organisations must take an active role in raising donations to finance their projects. More information on the Australia Cultural Fund is available on ABAF's website at <http://www.abaf.org.au/giving/australiaculturalfund.html>.

There is, of course, nothing to stop a philanthropically minded individual from making an outright gift to another individual without the concern of receiving a tax benefit. The donor must accept that in this situation there is little to no accountability, and no legal recourse if the money is misused. It can also be difficult to ascertain whether individuals are genuinely in need, and unless a neutral buffer such as a charity is also involved, it can be almost impossible to source individuals who need assistance. Generally the solution is instead to

give the funds to a charity which can assist needy individuals and families and is in a position to best judge who is in need of assistance – or in the case of education, to an educational institution with the stipulation that funds are used to provide a scholarship.

Advantages

- Allows direct benefit to a needy person

Disadvantages

- No tax deduction available
- No accountability framework
- Difficult to ascertain who is truly in need of help
- Care must be taken to keep neutrality between donor and recipient

B. Options for planned giving

1. Setting up your own charity

With over 55,000 charities already in Australia, it may not be worthwhile establishing another one. Your first step should be to ascertain that you are not duplicating resources and activities which are already being carried out in your area; it may be more useful to join or volunteer for an existing organisation than to start a competitor.

It may be necessary to carry out a feasibility study or other research in order to determine whether there is a genuine community need for the services you intend to provide, whether these services are being carried out elsewhere, and whether there is sufficient fundraising potential for your organisation to survive. Most nonprofit organisations cannot rely on donations for their entire income and will have to conduct some fee-for-service work in order to survive.

Starting a non-profit organisation will entail various degrees of effort depending upon what you want to do with the organisation, and will probably also entail some expense in the establishment phase, especially if you wish to obtain charity tax concessions.

In order to investigate the options available to you if you wish to set up a charity, you can find information on the Australian Taxation Office's website at <http://www.ato.gov.au/nonprofit/>

Advantages

- You have control over programs and services, and how the money is spent on them

Disadvantages

- Time-consuming
- Expensive – and you may not have enough funds to run the charity successfully yourself, so may need to seek funds from other sources
- There are many charities already in existence and you may be duplicating services already available, and adding another organisation's administrative costs as well

2. Leaving a bequest in your will to a charity

Many people choose this option. If you choose to leave a bequest, you will have the use of your funds or property during your lifetime. You may choose to leave your bequest freely – “no strings attached” – so that the charity can apply the money to the area of most need. It is also possible to leave a bequest with a specification that it is used for a particular purpose – for example, to establish a scholarship for rural students. In this case, it is important to ensure that you are not leaving the charity more trouble than assistance. Making a bequest of a historic building, specifying that it must be used for a particular purpose, but not leaving any money for the maintenance

and rates can be placing a burden upon that charity. It may be wise to speak to the charity beforehand to discuss your plans.

If you choose to leave a bequest to a particular organisation is extremely important to ensure that you specify the correct legal name of the charity, and that you keep the will up to date. If the organisation specified in the will ceases to exist under that name, or if there is doubt as to which organisation is meant, it can be very difficult for executors to resolve. The resulting court process may be lengthy and expensive, and as costs are usually paid out of the estate, it may substantially reduce the size of your legacy.

Advantages

- Very simple
- Requires no further involvement from the donor

Disadvantages

- No chance of seeing the beneficial results of the donation
- Little to no control over how the donation is spent
- No tax benefits during your lifetime

3. Setting up your own charitable foundation (during your lifetime)

A charitable or philanthropic foundation (also known as a charitable trust) is a legal vehicle which allows the transfer of gifts from an individual, family or corporation to a charity. It can be broad in purpose, or it can be directed to make grants to specific organisations, purposes and/or geographic locations which interest you. The initial sum is invested, and known as a corpus; it is the income from this investment which is given to charitable organisations in the form of grants. Often the initial lump sum is the result of a large bonus, an inheritance, or the sale of a business or other asset.

A foundation can be set up in perpetuity meaning that the funds are invested and the income paid out in grants each year. As wise investing can ensure the increase of the foundation's corpus, this approach can ensure the foundation's continued growth. The foundation is bound by its legal trust deed to continue carrying out your wishes perpetually. Some donors choose to establish a foundation with a 'sunset clause' which limits the life of the foundation, usually to a generation span such as 25 or 50 years. This is generally done when the donor believes that funding is more effective if expended in the short term when needs are great.

A foundation has many advantages; if it is established in perpetuity it will remain as an active memorial after the donor's death, and also ensure that the donor's charitable works will continue after his or her death. Many donors choose to make their foundation a beneficiary of their estate. An endowed foundation can still be helping the community at times when it is difficult for the donor to do so, either due to financial constraints, time concerns or personal issues. Most types of foundation attract a range of tax benefits. A foundation enables all requests to be directed to the foundation, thereby centralising and managing calls for aid.

You can have as much or as little involvement in your foundation as you choose; you may decide to become a trustee of the foundation and to be actively involved in its decisions and activities, or opt to appoint trustees and staff who will carry out the necessary duties for you. You may choose to establish a foundation in your own name or that of your family – or opt to remain anonymous.

A foundation requires much thought, care and planning, and will also require a substantial capital sum – generally at least several hundred thousand dollars. There will also be establishment costs and ongoing administrative costs. Care must also be taken as to the board of trustees, the wording of the trust deed, and other considerations such as whether to accept applications and whether to employ staff. Generally a charitable trust is a more suitable option for a donor who has a large sum and wishes some involvement in how those funds are spent.

This is a particularly good option if you wish to involve your family in your giving. A foundation can provide a strong focus for family involvement and activity. Intergenerational bonding between family members can be enhanced, and opportunities for engagement between family members provided by foundation activities. A foundation also provides a focal point to keep succeeding generations aware of, and in touch with, family history and origins.

If you intend to start an intermediary organisation which will seek funding from other givers or the general public and then make grants to other organisations, it is necessary to realistically examine your fundraising potential. You must keep in mind, for example, that the majority of grantmaking foundations prefer not to make grants to other grant-givers – they prefer to directly fund those projects they consider worthy rather than to use an intermediary organisation. In fact, if your intermediary organisation is established as an ancillary fund, many foundations will not legally be able to fund it as one ancillary fund may not fund another.

Companies are also generally not inclined to fund intermediary organisations as they prefer to fund or sponsor projects directly and to have some input into, and credit for, the projects they fund. Similarly, many individual Australians prefer to make donations directly to causes or organisations which interest them personally. Several previous intermediary organisations in Australia have failed for these reasons.

If you are involved with a non-profit organisation already and are thinking of establishing a perpetual foundation for the benefit of your organisation, you may wish to conduct a feasibility study into whether it will be financially viable to divert resources into the setup and maintenance of a separate legal entity.

A foundation can take many different forms. It is important to consider the legal requirements for each one, especially in regards to the type of entity they can legally fund. For example, at the time of writing most Prescribed Private Funds (PPFs) can only fund DGRs which are also charities. This may exclude

some of the DGRs you would most like to fund, as some environmental organisations, public art galleries and other arts organisations, and schools are not charities.

Some of the different forms a charitable foundation can take are as follows:

Private Ancillary Fund (PAF)

Formerly known as Prescribed Private Funds [PPFs], the first of which were approved in 2001, Private Ancillary Funds (PAFs) are a type of tax-deductible private foundation. They differ from other ancillary funds (ie, public funds) because PAFs may not fundraise from the general public, and must be controlled by a body corporate, the board of which must include at least one Responsible Person (according to the ATO definition). A PAF must also distribute the equivalent of 5% of its capital value every year, must have a formal investment plan, and must be compliant with the PAF Guidelines.

A PAF can be endorsed as a charity, in which case it must fund only charitable DGRs, or it can be endorsed as an Income Tax Exempt Fund (ITEF), in which case it may be able to distribute to a wider range of DGRs depending on the state in which the PAF is domiciled.

Advantages

- Is a deductible gift recipient (DGR), meaning that the foundation can receive tax deductible gifts, and is also usually income tax exempt
- Is established by a trust deed
- Can be controlled by a particular family or group, and can be a focal point for family activities
- Model trust deed and guidelines are available from the ATO
- Relatively simple and inexpensive to establish
- Trustees can, if they choose, manage their own investments

Disadvantages

- A PAF cannot make grants to ancillary funds (a common structure for community foundations and fundraising foundations) or other PAFs
- Must have as its sole purpose the giving away of funds to DGRs, so may not conduct programs
- A PAF may not fundraise from the general public

Private Charitable Trust

A private charitable trust is established via a trust deed with a charitable purpose. It can be established and controlled by an individual, family or company, and donations to it are not tax deductible although it may obtain tax exemption through being endorsed as a tax concession charity. Private charitable trusts are not subject to the restrictions contained in the PPF guidelines with regard to the appointment of a Responsible Person and an auditor.

Advantages

- Established during an individual's lifetime to be controlled by that individual and/or their family, friends or associates
- Is entitled to be endorsed as a Tax Concession Charity (TCC) and is therefore exempt from tax on its income and entitled to refunds of franking credits
- Can benefit a wider variety of charitable beneficiaries than other types of foundation, because it is not limited to funding only DGRs

Disadvantages

- Is not a DGR (deductible gift recipient), hence no deduction or tax advantage is available to the donor for a trust of this type

Public Ancillary fund (Public fund)

A public ancillary fund is a grantmaking foundation established by will or by trust deed. It is a Deductible Gift Recipient and can only exist for the purposes of providing grants to DGRs; it is like a conduit or temporary repository for channelling gifts to other DGRs and cannot carry on any other activities. A public ancillary fund must be managed by members of a committee or board, a majority of which have a degree of responsibility to the community (according to the ATO definition of Responsible Person). The public must be invited to contribute to the fund, and must actually contribute to it.

Advantages

- It is a deductible gift recipient (DGR), meaning that the foundation can receive tax deductible gifts
- It is also entitled to be a Tax Concession Charity (TCC) or an Income Tax Exempt Fund (ITEF) and so does not pay tax on its income
- It can accept contributions from the public (and in fact must do so)

Disadvantages

- If the ancillary fund is a charity, it can only fund DGRs which are also charities
- Its activities are limited to making grants to other DGRs
- An ancillary fund may not fund other ancillary funds (a common structure for community foundations and fundraising foundations) including Private Ancillary Funds
- The donor(s) may not maintain control over the funding or investment decisions as the majority of board members must be unrelated Responsible Persons

4. Leaving money in your will to establish a foundation

This was the most common way to establish a foundation in Australia during the twentieth century, and some of the biggest foundations in Australia, such as the Felton Bequest and the Sidney Myer Fund, have been established this

way. A testamentary trust, as this type of foundation is known, can be established by committing a particular sum or specific assets, or it may receive the residuary estate.

Establishing a foundation in this way will mean that you have the use of your funds during your lifetime, and may then choose to leave a specific sum to family members or other beneficiaries and the residue to establish your foundation. A foundation established after your death may benefit individuals, whereas most types of foundation established during your lifetime may not, and is entitled to be endorsed as a Tax Concession Charity (TCC) so that it will not pay tax on its income. The trustees may be the same persons who are executors of the will, or separate trustees may be appointed; professional trustee companies can also be called upon to establish the trust and act as sole or joint trustees of the foundation.

Care must be taken in establishing the funding purposes for a testamentary foundation. Sometimes the conditions or organisations which exist when a will is drawn up may no longer exist when the bequest comes to fruition. For example, in past years, charitable trusts were sometimes established to fund orphanages, which are no longer in existence due to changed social conditions. It may happen that in the future specific medical conditions may be cured or prevented so that there is no need to make provision for research into them. Similarly, conditions may arise which we are unable to foresee from the present day. A well-written will can provide some flexibility for changing needs while still honouring the spirit of the original benefactor. It may be useful to write a document which details your values and the reasoning behind your charitable decisions, as this may be very useful to guide future trustees so that they can continue to carry out your wishes.

Advantages

- The foundation can exist in perpetuity, making a living memorial to you
- The foundation can become a focal point for family activities and to bring family members together after your lifetime
- Can help instil philanthropic values in succeeding generations
- Can be useful when there are no suitable heirs
- Does not tie up money during your lifetime
- There may be some tax benefits to your estate
- The money can be used to benefit a broader range of non-profit organisations and/or individuals

Disadvantages

- You won't see the effects of your funding
- You won't be able to guide the foundation through its formative stages
- Careful consideration must be taken as to who should be trustees, and also trustee succession

5. Establishing a foundation with a trustee company

Trustee companies are businesses which can act as professional, independent trustees. They are an excellent choice for people who do not have very much experience in the area of charitable trusts and foundations, or who do not know people they would like to appoint as trustees of their foundation.

Trustee companies will establish a foundation and will act as sole trustees or co-trustees. They will provide administrative and investment services. The donor can choose to be a co-trustee with the trustee company or can relinquish all control if they do not wish to be involved in the operation of the foundation.

Some of Australia's largest charitable trusts and foundations are administered by trustee companies. Some trustee companies also administer "umbrella trusts" which are structured as public ancillary funds and which operate in a similar way to community foundations, allowing you to form a named sub-fund under the umbrella of an existing foundation.

Advantages

- Trustee companies are experienced, reliable and regulated by law
- Access to professional trustees, if you don't personally know people suitable as trustees
- The foundation will exist in perpetuity and can be named after you
- As the trustee company is a business, it can continue to act as a trustee into the future, unlike an individual trustee

Disadvantages

- The trustee will not have a personal relationship to the benefactor
- The trustee company will charge for its services

6. Donating to another foundation

Some Australian foundations use a public ancillary fund structure. This means that the general public must be invited to contribute to the fund, and must also participate in the administration of the fund via persons or institutions who, because of their tenure of some public office or their position in the community, have a degree of responsibility to the community as a whole. These foundations will often invite donations via their website, marketing materials, or advertisement.

If you are interested in donating to another foundation, you will want to select one whose funding principles and interests are aligned with your own. It is important to realise that not all grantmaking foundations are legally able to accept donations, nor are they always able to offer a tax deduction for donations. You should always check with the foundation that interests you to see whether they are prepared and able to accept a gift.

Advantages

- Tax deduction for donations, since the foundation is a DGR
- Funding will be beneficial in perpetuity
- Avoidance of the cost and administrative effort necessary to establish a separate legal structure

Disadvantages

- The donor relinquishes control over the funds
- There may not be acknowledgement of the donation – the foundation won't bear your name
- No focus for family activities

7. Setting up a sub-fund of a community foundation

A community foundation is an independent philanthropic organisation working in a specific geographic area. The foundation attracts tax deductible donations to its Public Fund and builds a capital base known as a corpus - a fund of money invested in perpetuity. This provides a permanent and growing source of funding with the income earned each year being returned to the local community as annual grants to deductible gift recipients or other tax deductible entities. In addition, the community foundation through the charitable company or trust can support wider charitable purposes.

Donors can establish named funds under the umbrella of the community foundation, which are relatively simple and inexpensive to establish and which can be named according to the donor's direction.

A community foundation provides a simple, low-cost option for individuals to get involved with philanthropy. A sub-fund of a community organisation can be named for the donor, and can operate in the local community in which the donor resides or which the donor wishes to benefit.

Advantages

- Tax deduction available
- Will exist in perpetuity
- Can ensure the funds will benefit a particular community
- You can name the sub-fund

Disadvantages

- Legal control over the funding – including sub-funds - is relinquished to the community foundation
- If a community foundation is an ancillary fund, it cannot fund other ancillary funds (a common structure for fundraising foundations)

8. Giving through an intermediary such as United Way, Charities Aid Foundation, etc

Intermediary bodies raise funds from the community in which they operate – sometimes through a payroll giving scheme, but also through fundraising events, soliciting donations, corporate partnerships and other methods. Many intermediaries are largely volunteer-run. Funds collected by an intermediary organisation will be pooled and the organisation's board will make decisions about which charities to support.

Advantages

- A tax deduction is available in most cases
- Because intermediary organisations are generally volunteer-run, most of the donations go direct to charities

Disadvantages

- Because the intermediary organisation's board selects charities and projects to contribute to, you relinquish control over your funding

9. Joining with others to donate through a Giving Circle

A giving circle (also known as a social investment club) is a way for donors with common interests to combine their money and decide as a group which charities they want to support. The idea is to pool the funds to make a greater collective impact. A giving circle can be an informal group of friends who meet socially to talk about their giving, collectively decide on a cause and each write a cheque to the chosen charity, or it can be an organised group with its own bank account. Some giving circles may use a legal vehicle such as a community foundation to channel the funds through.

Giving circles generally involve a regular contribution from members of the circle – usually the same amount is given by everyone. Generally all the administrative support is provided voluntarily by members of the circle. Some circles may choose to donate their funds immediately, whereas others may invest the money and give away the income from that investment.

Advantages

- Provides a social focus for members and a venue for discussion of philanthropy and social causes
- Allow donors to pool funds for a greater charitable impact
- Donors are able to make decisions about their funding, and to share knowledge and personal passion about their giving
- Giving circles are a good opportunity to introduce family, friends and colleagues to the joy of giving

Disadvantages

- Legal and tax issues may be involved if funds are invested or held collectively
- Some organisation is required

- There must be rules and processes in place for situations which may arise such as disagreements about funding decisions

10. Donating through a workplace payroll giving scheme

Workplace giving is a way to donate regularly to charities through automatic deductions from your salary. Your employer must establish a workplace giving scheme and will make deductions of your nominated amount from your payroll. This donation will be sent to your nominated charity and you will receive a summary of payment at the end of the year. Both you and your employer must choose to participate in the scheme.

The ATO has developed a guide to workplace giving which can be accessed from <http://www.ato.gov.au/content/34483.htm>

Advantages

- The removal of the donation before the donor accesses their pay means that they are less likely to miss the money
- Easy, with no time or effort required after the initial setup
- Enables the tax benefits to be gained at the time of donation

Disadvantages

- Generally only involves small sums
- Difficult to see the real impact of your giving

Comparison Tables

Having worked out your motivations, assets, interests and mechanisms, and canvassed structures available for giving, you can now determine your own personal giving strategy. Even if you do not wish to maintain a public profile, it would still be advantageous to create a charitable giving statement, if only to clarify to yourself why and how you wish to give.

The following table may help you to work out the most appropriate giving strategy for you. Of course, you may choose to utilise more than one of the options available.

Charitable Giving options – Unplanned Giving

	<i>Direct Giving to charity</i>	<i>Volunteering</i>	<i>Donate goods or property</i>	<i>Donate direct to individuals</i>
Degree of complexity	Simple	Varies	Varies	Simple
Tax benefit	Yes, if gift is made to DGR	No	Varies, depending on nature of property	No (except via a necessitous circumstances fund)
Requires/allows donor involvement?	Generally not	Yes	Not necessarily	Not necessarily
Control over how funds are spent?	Generally not	N/A	No (gift may be sold or divided once made)	No
Likely to be perpetual?	No	No	Varies	No
Size of sum required	Any	Investment is in time, not cash	Varies	Any
Ongoing costs involved in donation?	Paid by the charity	Only your own expenses	No	No

Charitable Giving options – Planned Giving

	<i>Bequest to charity</i>	<i>Foundation established by will</i>	<i>Sub-fund of community foundation</i>	<i>Foundation administered by trustee company</i>
Degree of complexity	Simple	Somewhat complicated	Fairly simple	Fairly simple
Tax benefit	Yes (to estate)	Yes (to estate)	Yes	Yes
Requires/allows donor involvement?	No	No	No (although some CFs will encourage donor interest)	Yes, if desired
Control over how funds are spent?	No (unless stipulated in will)	To limited extent, as stipulated in will	No legal control, but some CFs will take donor requests into consideration	Yes, partial control
Likely to be perpetual?	No (unless stipulated in will)	Yes	Yes	Yes
Size of sum required	Any	Large	As little as \$5000	Large
Ongoing costs involved in donation?	No	Yes (they will be paid out of the estate)	Yes (usually administration fee)	Yes

	<i>Establish a charitable foundation (including PAF)</i>	<i>Payroll giving</i>	<i>Donate through an intermediary</i>	<i>Establish a giving circle</i>
Degree of complexity	Varies	Simple (for donor)	Simple	Simple
Tax benefit	Yes (in most cases)	Yes (provided recipient is a DGR)	Yes (in most cases)	Varies depending on structure and charities supported
Requires/allows donor involvement?	Yes, if desired	No	No	Yes
Control over how funds are spent?	Yes, partial control	No	No	Yes
Likely to be perpetual?	Yes, if desired	No	No	Varies
Size of sum required	Upwards of \$100,000	Any	Any	Varies according to circle
Ongoing costs involved in donation?	Yes	Paid by the employer	No	Possibly

Conclusion

We trust this guide to giving has been useful in helping you understand the choices available to you. Through giving, you can become involved in a welcoming community of like-minded people. The Australian philanthropic sector is relatively small, but extremely diverse; it is very likely that you will meet people in tune with your own ideals and will make lasting friends through your involvement in organised philanthropy. You will also experience the joy of giving – may it be a richly fulfilling experience for you!

Now that you have read this guide, there are very probably some further steps you will want to take and other people you will need to consult in order to get the best advice about your future actions. There are plenty of places to go for assistance with giving, including:

- Philanthropy Australia
- Qualified legal personnel
- Trustee companies
- The Australian Taxation Office
- Specialist financial management services

The next section will help you identify and contact the further resources you need. There is also a glossary of terms.

**More information is available from Philanthropy Australia.
Contact us for further information or to talk about your giving options:
www.philanthropy.org.au**

Section Three: Resources

Glossary

Ancillary Fund (see also *Private Ancillary Fund*)

There are two kinds of Ancillary Fund; the public fund and the Private Ancillary Fund (PAF).

According to the Australian Taxation Office, a **public ancillary fund** has the following characteristics:

- it is a public fund (meaning that the public must contribute to the fund, and the majority of trustees must be “Responsible Persons”)
- it is established and maintained under a will or instrument of trust
- it is allowed, by the terms of the will or instrument of trust, to invest gift money only in ways that Australian law allows trustees to invest money
- it is established and maintained solely for
 - the purpose of providing money, property or benefits to DGRs, or
 - the establishment of DGRs

A **Private Ancillary Fund** (PAF) shares some of these characteristics, but it must not fundraise from the general public, and must be controlled by a corporation

Both types of ancillary fund must only make grants to other DGRs and must not carry on other activities (such as running programs). An ancillary fund must not provide for, or establish, another ancillary fund.

Bequest

A gift made available upon the donor's death by provision in their will. A bequest can be a specific sum of money, an item or piece of property, or a percentage of your estate.

Charity

In popular use the term charity is often used as a synonym for voluntary, or not-for-profit organisations, popularly understood as organisation that raise funds for or offer support to the disadvantaged in society. However, the legal meaning of the term can differ from the popular understanding. In legal terms, a charity is an entity established for altruistic purposes that the law regards as charitable.

When we refer to a charity, or a charitable organisation, throughout this guide, we are referring to an organisation which has been endorsed by the Australian Tax Office as a Tax Concession Charity. While the Australian Tax Office endorses organisations as eligible for charitable status, the Tax Office does not set the criteria to decide whether or not an organisation is a charity. Criteria for deciding what is a charity have been established by case law.

It is important to recognise that some organisations which most people would assume are charities, including some hospitals, public art galleries, and other types of organisation, have not been endorsed as charities by the Australian Taxation Office. This is especially important if you are thinking about setting up a charitable foundation, as some types of foundation are limited to only funding endorsed charities.

Corpus

The original gift and ongoing principal that forms the asset base from which a foundation operates. Income from the corpus is given away in the form of grants.

Deductible Gift Recipient (DGR)

A deductible gift recipient (DGR) is a fund or organisation that can receive tax deductible gifts. Some DGRs are listed by name in the income tax law. They include organisations like Amnesty International Australia, Landcare Australia Limited and the Australian Academy of Science. There are also prescribed private funds listed by name in the income tax regulations. For other organisations to be DGRs, they must fall within a general category set out in the income tax law. Examples include public benevolent institutions, public universities, public hospitals and school building funds.

You can find out whether an organisation is a DGR by checking its status on the Australian Business Register at www.abr.gov.au/. An organisation which has been endorsed will also be in possession of a certificate from the Australian Taxation Office which states that it has been endorsed, and under which section of the legislation.

Private Ancillary Fund (PAF)

Private Ancillary Funds (PAFs) have evolved from the former structure, Prescribed Private Funds (PPFs), the first of which were approved in June 2001. PAFs are exempt from income tax and are deductible gift recipients. They are not permitted to fundraise from the general public, and must distribute the equivalent of 5% of their capital every year.

Tax Concession Charity (TCC), formerly Income Tax Exempt Charity (ITEC)

A tax concession charity is a fund or institution which has been endorsed as charitable by the Australian Taxation Office. It is important to note that not all organisations which are tax exempt are actually tax concession charities. An organisation which has been endorsed will be in possession of a notification from the Australian Taxation Office which states that it has been endorsed as a Tax Concession Charity, or an Income Tax Exempt Charity.

You can find out whether an organisation has been endorsed as a charity by checking its status on the Australian Business Register at www.abr.gov.au/.

Trustees

Trustees are the persons or institutions responsible for the administration of a trust. Trustees can be a trustee company, or family members, or a company

limited by guarantee. Trustees are responsible for the investment decisions and for ensuring that income is distributed in line with the stated purposes in the trust deed.

Trustee Company

Trustee companies are corporations that are legally authorised to serve as executors of wills, as trustees of charitable and non-charitable foundations, and other executor and trustee services. Many charitable trusts and foundations are managed in Australia by trustee companies (by some estimates, this is between half and two-thirds of all trusts). Trustee companies offer a structure through which the wishes of the donor can be carried out as instructed in perpetuity.

Further Assistance

Philanthropy Australia

www.philanthropy.org.au/

Established in 1977, Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and to encourage others to become philanthropists. Our mission is to represent, grow and inspire an effective and robust philanthropic sector for the community.

Philanthropy Australia:

- Represents the philanthropic sector.
- Promotes the contribution of philanthropy by growing the understanding of the community, business and government.
- Inspires and supports new philanthropists.
- Increases the effectiveness of philanthropy through the provision of information, resources and networking opportunities.
- Promotes strong and transparent governance standards in the philanthropic sector.

Philanthropy Australia also provides information to those seeking to understand, access or partner the philanthropic sector.

We can help you with access to information, the opportunity to belong to the philanthropic community, opportunities for meaningful collaboration, research, training and resources.

Philanthropy Australia

Level 2, 55 Collins St

Melbourne, Vic 3000

Phone: 03 9662 9299

Fax: 03 9662 2655

Email: info@philanthropy.org.au

www.philanthropy.org.au

www.philanthropywiki.org.au

Professional Advisors – Philanthropic Foundations

Legal practitioners, consultancy firms, wealth managers and trustee companies are able to offer advice on establishing foundations. You may already have relationships with companies able to provide this guidance, or you may wish to consult one of Philanthropy Australia's member organisations with qualified personnel who are able to assist. In selecting any company to help you establish a foundation, we recommend that you consider the company's experience with charity law.

Legal Firms

- Philanthropy Australia's membership includes:
 - o Freehills: www.freehills.com
 - o Mallesons Stephen Jaques: www.mallesons.com
 - o Clayton Utz: www.claytonutz.com
 - o Sparke Helmore Lawyers: <http://www.sparke.com.au/sparke/home.jsp>

Trustee Companies

A trustee company offers services across all areas of establishing and operating a charitable foundation, including administration, legal compliance, investment management and taxation.

- Philanthropy Australia's membership includes:
 - o ANZ Trustees Philanthropy Partners: <http://www.anz.com/personal/private-bank-trustees/trustees/philanthropy/>
 - o Equity Trustees: <http://www.eqt.com.au/philanthropic-services.aspx>
 - o National Australia Trustees: <http://www.nab.com.au/privatewealth/trusts-philanthropy.html>
 - o Perpetual Trustees Australia: <http://www.perpetual.com.au/philanthropic-services.aspx>
 - o State Trustees: www.statetrustees.com.au/

Wealth Managers

A number of financial services organisations provide advice and services for the establishment and management of philanthropic foundations and other structured giving programs. They can also assist in the management of your philanthropic assets.

- Philanthropy Australia's membership includes:
 - o Myer Family Office: www.mfo.com.au/
 - o GoldmanSachs JBWere Philanthropic Services: www.gsjbwere.com/Products/default.cfm?p=PS_PhilServ
 - o Goodman Private Wealth Advisers: <http://www.goodmanwealth.com.au/index.shtml>
 - o Hunter Hall: <http://www.hunterhall.com.au/>
 - o Stewart Partners: www.stewartpartners.com.au/

- UBS Wealth Management: http://www.ubs.com/1/e/wealthmanagement/wealth_management_australia.html
- Foresters Community Finance: <http://www.foresters.org.au/>
- FirstUnity: <http://www.firstunity.com.au/>
- Deutsche Bank Private Wealth Management: <http://www.pwm.australia.db.com/pwm/>
- Denning Pryce: <http://www.denningpryce.com.au/>
- Credit Suisse: <https://www.credit-suisse.com/au/en/>
- Beulah Capital : <http://beulahcapital.com/>
- UCA Funds Management: <http://www.ucafunds.com.au/>
- Warakirri Asset Management: http://www.warakirri.com.au/warakirri_asset_management.htm
- HSC & Co: <http://www.hscco.com.au/ALeadingPhilanthropyAndCommunityInvestmentStrategyConsultingFirm/603/n/3/0/0/>

Accounting and Business Consultancy Firms

In selecting a firm to provide philanthropic advice and services, we recommend that you consider the firm's experience with charity law.

- Philanthropy Australia's membership includes:
 - Deloitte: www.deloitte.com.au
 - PricewaterhouseCoopers: www.pwc.com/au/eng/main/home/index.html

Other Consultancy Firms

These companies provide a variety of philanthropic advice and services.

- Philanthropy Australia's membership includes:
 - Effective Philanthropy: <http://www.effectivephilanthropy.com.au/>
 - Global Philanthropic: <http://globalphilanthropic.com/index.php?p=1>
 - Greenstone Group: <http://www.greenstone.com.au/>
 - Philanthropy Squared: <http://www.philanthropy2.com/>

Academic Centres and Further Education

Australia now has several innovative professional development programs for philanthropy and the nonprofit sector. These include graduate diplomas, degree courses and postgraduate degrees.

Asia-Pacific Centre for Philanthropy and Social Investment
www.swinburne.edu.au/business/philanthropy/

Philanthropy and Social Investment at Swinburne University of Technology is pioneering the education of the Australian community in these areas, and now offers courses from Graduate Certificate to PhD level. The courses are aimed at a wide range of people, from individual philanthropists or those contemplating becoming philanthropists (whether as end-of-career adults

anticipating a long and affluent retirement, or young people who will inherit wealth), personnel in corporations developing community involvement programs or concerned with how their business can be a good corporate citizen, to financial advisors, accountants and solicitors who provide clients with advice on their giving options.

Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology

www.bus.qut.edu.au/research/cpns/whatweteach/courses.jsp#gradcert

If you work with or for a philanthropic or nonprofit organisation, or if you have an interest in working in this growing and important sector of the economy, this course is your entry point to a specialist education that you can tailor to your particular interests. The Graduate Certificate is available part-time at the Gardens Point Campus of QUT, and is available in flexible delivery mode for students outside Brisbane.

Giving money directly to a charity, or leaving a bequest to a charity

With over 700,000 nonprofit organisations in Australia, and 25,000 which are entitled to offer a tax deduction to donors, it can be difficult to differentiate between them. Here are some resources to make this decision easier.

There is no comprehensive list of all charities in Australia available at the present time. However, there are websites which have lists of charities. In some cases charities must pay to be listed, and in other cases the listing is free. None of these listings is comprehensive but there is generally a good representation of charities.

OurCommunity.com: www.ourcommunity.com.au

OurCommunity have an extensive listing of charities and also offer an online donation service.

ProBono Australia: www.probonoaustralia.com.au

Pro Bono have a listing of charities on their website, and they also produce their listing as a booklet which is distributed free of charge to solicitors, accountants, corporations, philanthropic trusts and other decision makers.

Establishing a charity

Community Legal Centres in Australia:

www.naclc.org.au/directory/centres.html

Pro bono legal assistance is sometimes available for people establishing or working with charities. Your local community legal centre may be able to refer you to a pro bono service.

OurCommunity.com: www.ourcommunity.com.au

OurCommunity offer fact sheets on many aspects of the establishment and management of nonprofit organisations.

PilchConnect: http://www.pilch.org.au/community_org/

PilchConnect's website includes legal information resources covering issues such as choosing the right legal structure for establishing a not-for-profit organisation, tax concessions, and other relevant legislation. The website was specifically developed for Victorian not-for-profit community organisations and therefore organisations based in other states and territories must ; some of the information relating to Federal law will be useful for organisations in other states or territories, but different laws may apply.

Volunteering (donating time to a charity)

There are several organisations which assist people looking for volunteering opportunities.

Volunteer Match - <http://www.probonoaustralia.com.au/volunteer>

Volunteer Match is a free service provided by Pro Bono Australia to match skilled professionals with not-for-profit organisations online. Professionals can search and apply for volunteering opportunities, and representatives from not-for-profit organisations can post their needs for skilled professional volunteers.

goodCompany - www.goodcompany.com.au/

goodCompany's purpose is to match professional volunteers (with a University degree and/or several years of experience) with not-for-profit organisations. Both professionals and not-for-profit organisations can register on the site for free.

GoVolunteer - www.govolunteer.com.au/

GoVolunteer is an initiative of Volunteering Australia and is intended to make it easier for Australians to volunteer. The site includes a search facility for volunteers to find local opportunities as well as information about the listed organisations and about volunteering in general.

Volunteering Australia - www.volunteeringaustralia.org/

Volunteering Australia is the national peak body for volunteering in Australia. Its mission is to represent the diverse views and needs of the volunteering movement, as well as to promote volunteering as an activity of social, cultural and economic value.

Donating goods or property to a charity

For information on making a donation of land to an environmental group, or on bequeathing land or taking out a conservation covenant, a guide called *Gifts That Keep On Giving* is available from the Department of Environment and Heritage website – www.deh.gov.au/biodiversity/publications/gifts-keep-giving/index.html

Department of the Environment and Heritage
GPO Box 787 Canberra ACT 2601 Australia
Telephone: 02 6274 1111
Facsimile: 02 6274 2360

For information on making a donation of items of cultural significance to a museum, art gallery or other cultural institution, see the Cultural Gifts Program website at www.dcita.gov.au/arts/arts/cultural_gifts_program

Cultural Gifts Program
Department of Communications,
Information Technology and the Arts
GPO Box 2154
CANBERRA ACT 2601
Telephone: 02 6271 1643
Facsimile: 02 6271 1697
Email: cgp.mail@dcita.gov.au

Donating directly to individuals

For information on Necessitous Circumstances Funds, see the Australian Taxation Office's website at www.ato.gov.au

For information on the Australia Cultural Fund, see the ABAF website at <http://www.abaf.org.au/giving/australiaculturalfund.html>

Establishing a Charity

The Australian Taxation Office - www.ato.gov.au/nonprofit/
The 'For Non-Profit' section of the ATO's website provides vital information about taxation issues and regulations for charities, associations, clubs and societies.

Australian Government Community Portal - www.community.gov.au/
The Community Portal is designed to help Australian communities and community groups find relevant, up-to-date information. It includes excellent resources on starting a community group, forming an organisation, and funding for communities.

ourcommunity.com.au -
www.ourcommunity.com.au/management/management_main.jsp
The ourcommunity Community Management Centre offers fact sheets on the startup and management of community organisations and groups.

Setting up a sub-fund of a community foundation

To find whether there is a community foundation servicing your area, you can check the Community Foundations Gateway on Philanthropy Australia's website. The Gateway has a list of community foundations in Australia, with

links to their websites. Some community foundations will establish sub-funds which can fund Australia-wide.

www.philanthropy.org.au/community/index.html

Donating to another grantmaking foundation

Philanthropy Australia's Australian Directory of Philanthropy contains a listing of philanthropic trusts and foundations which can be consulted for information on various foundations' funding preferences, geographic scope and philosophies. Not all foundations are legally required or able to receive donations; check with the foundations you are interested in for details.

The Australian Directory of Philanthropy can be obtained from:

Philanthropy Australia
Level 2, 55 Collins St
Melbourne, Vic 3000
Phone: 03 9662 9299
Fax: 03 9662 2655
Email: info@philanthropy.org.au
www.philanthropy.org.au

Establishing a giving circle

The US-based Forum of Regional Association of Grantmakers has an excellent section on Giving Circles at www.givingforum.org/givingcircles/

Further reading

Leat, Diana 2002. *Working on Governance and Accountability: A Manual for Philanthropic Foundations*. Philanthropy Australia, Melbourne

Liffman, Michael 2004. *A Tradition of Giving: Seventy-Five Years of Myer Family Philanthropy*. Melbourne University Press, 2004.

Lyons, Mark 2001. *Third Sector: The contribution of nonprofit and cooperative enterprise in Australia*. Allen & Unwin, Sydney.

The Prime Minister's Business Community Partnership 2005. *Giving Australia: Research on Philanthropy in Australia* . www.partnerships.gov.au

Tracey, Denis 2003. *Giving it Away: in praise of philanthropy*. Scribe Publications, Melbourne.

Philanthropy Australia Inc and Foundation for Rural and Regional Renewal. *The Community Foundation Kit: building stronger Australian communities*. Philanthropy Australia, Melbourne.

Ward, David 2009. *Private Ancillary Funds Trustee Handbook*.
http://philanthropywiki.org.au/index.php/Private_Ancillary_Funds_Trustee_Handbook

Ward, David 2008. *Trustee Handbook: Roles and Duties of Trustees of Charitable Trusts and Foundations in Australia*.
http://philanthropywiki.org.au/index.php/Trustee_Handbook

A number of biographies of prominent Australian philanthropists are available, including:

Poynter, John 2003. *Mr Felton's Bequests*. The Miegunyah Press, Melbourne.

Yule, Peter 2006. *Ian Potter: financier, philanthropist and patron of the arts*. The Miegunyah Press, Melbourne.

Barber, Stella 2004. *Sidney Myer: A Life, A Legacy*. Hardie Grant Books, Melbourne.

**More information is available from Philanthropy Australia.
Contact us for further information or to talk about your giving options:
www.philanthropy.org.au**

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