

# HOW TO GIVE BACK



Australia is a giving country, but we often give in kind rather than financially.

Whenever there is a disaster here or overseas, Australians rush to donate their time, household goods and cash. However, we still lag New Zealand, the US, Canada and the United Kingdom when it comes to giving money.

According to Philanthropy Australia, our total financial giving as a percentage of Gross Domestic Product is just 0.81 per cent, compared with 0.96 per cent for the UK, 1 per cent for Canada, 1.84 per cent for New Zealand and 2.1 per cent for the US.<sup>i</sup>

Only 53 per cent of Australians with an income of more than \$1 million give to charity and receive a tax deduction. In the United States that figure is 90 per cent. So, Australians have some catching up to do.<sup>ii</sup>

Currently the number of Australians making tax deductible contributions is at its lowest levels since the 1970s.<sup>iii</sup> Despite this, the Australian Tax Office reports that deductible donations

claimed by individuals rose from \$0.74 billion in 1999-2000 to \$3.85 billion in 2019-20.<sup>iv</sup>

Given that an estimated \$2.6 trillion will pass between generations over the next 20 years, the opportunities for increasing our financial giving abound. Philanthropy Australia wants to double structured giving from \$2.5 billion in 2020 to \$5 billion by 2030.<sup>v</sup>

The five main reasons people like to give are that they want to make a difference, they want to give back to the community, they like the personal satisfaction it gives them, they have philosophical beliefs, or they just want to set an example.

## Many ways to give

There are many ways of being philanthropic from the \$2 donation to someone who knocks on your front door, to regular donations of five or six figures plus.

In between, people give direct donations to charities, not-for-profit organisations and community groups, participate in crowd funding and giving circles and/or volunteer.

Giving circles are more prevalent in the US but they are growing in Australia. Basically, people with shared values come together to pool their money for a particular cause.

## Structured giving

Donating large sums of money regularly is known as structured giving.

You can choose a number of ways to establish a structured giving plan including through a public or private ancillary fund (PAF), a private testamentary charitable trust or giving circles.

Whichever way you choose, there are attractive tax incentives to encourage the practice.

The type of vehicle will depend on:

- the timeframe of your giving
- the level of engagement you want
- whether you want to raise donations from the public
- whether you want to give in your lifetime or as a bequest
- whether you want to involve your family to create a family legacy.

### Private ancillary fund

A private ancillary fund is a standalone charitable trust for business, families and individuals. It requires a corporate trustee and a specific investment strategy. Once you have donated, contributions are irrevocable and cannot be returned. To be tax deductible, the cause you are supporting must be a body identified as a Deductible Gift Recipient by the Australian Tax Office.

The benefits of a PAF are that contributions are fully deductible, and the deductions can be spread over five years. The assets of the fund are exempt from income tax.

The minimum initial contribution to a PAF is at least \$20,000. The costs of setting up a PAF are minimal and ongoing costs are usually about 1-2 per cent of the value of the fund.

Each year you must distribute 5 per cent of the net value of the fund to the designated charity.<sup>vi</sup>

### Testamentary charitable trust

An alternative to a PAF is a testamentary charitable trust, which usually comes into being after the

death of the founder. The governing document is either a trust deed or the founder's Will.

With a testamentary charitable trust, trustees control all the governance, compliance, investment and giving strategies of the trust. The assets of the trust are income tax exempt. The minimum initial contribution for such a fund is usually \$500,000 to \$2 million.<sup>vii</sup>

Philanthropy through structured giving still has a long way to go in Australia. The latest figures for total giving in Australia is \$13.1 billion, of which \$2.4 billion is structured giving. Currently the number of structured giving entities stands at just over 5400.<sup>viii</sup>

As the baby boomers pass on their wealth to their families, there is a wide opening for some of this money to find their way into charities and causes through structured giving.

If you want to know more about structured giving and what is the right vehicle for you to help the Australian community at large, then give us a call to discuss.

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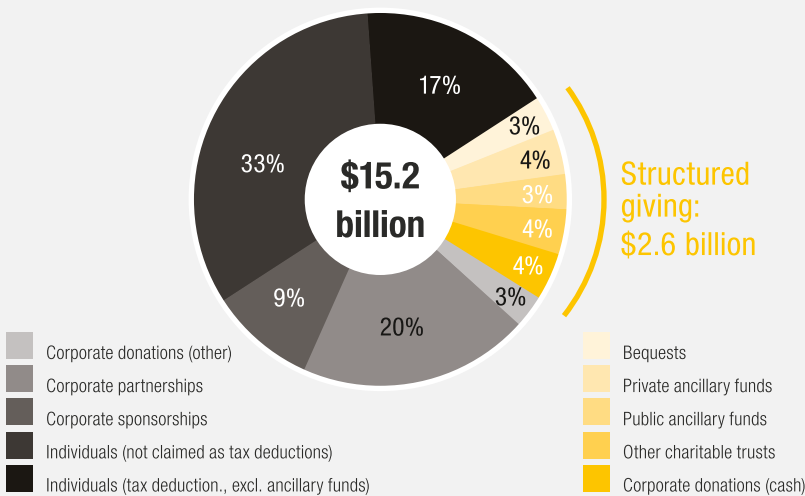
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### How Australians give

Value of non-structured and structured giving in Australia, 2018-19<sup>ix</sup>



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i,ii,iv <https://www.philanthropy.org.au/wp-content/uploads/2022/11/7480-PHA-Giving-Trends-and-Opportunities-2023-1.2.pdf>

iii,ix <https://www.socialventures.com.au/sva-quarterly/insights-to-grow-philanthropic-giving-for-not-for-profits/>

v, viii <https://www.philanthropy.org.au/our-impact/a-blueprint-to-grow-structured-giving/>

vi,vii <https://www.philanthropy.org.au/guidance-and-tools/ways-to-give/choosing-the-right-philanthropic-structure/>