Media Release

EQUITY Trustees

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Make the most of charitable giving this financial year

The end of the financial year is a common time for people to think about charitable giving, and the associated tax advantages, but those who take an ad-hoc approach may not achieve the social impact they were hoping for, says Tabitha Lovett, General Manager – Philanthropy at Equity Trustees.

"Choosing a list of charities and making one-off donations in the lead up to 30 June may seem like an effective way to support worthy causes, and receive tax deductions, but a more structured and considered approach to philanthropy will have much greater impact without any decrease in the tax advantage.

"A measured and planned approach will help ensure that donations go towards preferred causes and, if an ongoing strategy is put in place, can create a significant level of financial support for chosen charities over a period of time," Ms Lovett said.

She said that a long-term approach brings long-term benefits.

"There is a perception that establishing a perpetual charitable trust is expensive or complicated, and only for the very wealthy, but this isn't the case. A sub fund with the Equity Trustees Charitable Foundation, for instance, can be established with a minimum seeding amount of $20,000 and can be set up within 48 hours with no establishment fees. What's more, the tax deduction for the initial seed donation and any subsequent contributions can be spread over five years if that is your preference.

"Setting up such a trust means that people can take a much more targeted approach with their philanthropy, involve family and friends in their giving and ultimately have a much greater impact than the alternative of one-off or ad-hoc donations.

"One of the challenges facing charities is how to manage the uneven and inconsistent level of donations they receive. It is much easier for charities to plan ahead and achieve their missions and objectives if they know they will receive a project grant committed to the life of the project or a regular income stream from a charitable trust."

"Further, establishing a charitable trust with a trustee company provides peace of mind that a philanthropist will be operating within a legally compliant framework, with a professional trustee ensuring the stated intention of supporting charity is not only financially effective but also compliant with the regulatory environment. This means philanthropists can focus their attention on the charities they want to support and causes they wish to further - rather than reporting to government bodies.

"Amongst the charitable trusts we manage on behalf of philanthropists we are seeing a move towards funding strategic projects and activities which assist charities to become sustainable and reduce their reliance on government funding. We are also seeing a rise in social enterprise initiatives with philanthropists providing critical early stage support to hospitality, consulting, manufacturing or skilled labour programs that provide employment opportunities for disadvantaged communities as well as a sustainable income revenue to charities.

"Philanthropy also has the opportunity to respond to issues and needs in the community as they arise or receive greater awareness, whether in relation to funding cures and vaccinations for better health outcomes, improving education curriculums or responding to long term societal issues such as unemployment and homelessness.

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"With the recent emphasis the government and media have placed on domestic violence for instance, there is a renewed focus by the philanthropic sector on supporting new initiatives in this area. The launch of The Luke Batty Foundation and the Victorian government's Royal Commission into Family Violence will provide further opportunities for philanthropists to work collaboratively with the sector to provide a response to this critical community issue.

Ms Lovett said that there are three main types of charitable trusts available to people: private ancillary funds; sub-funds with public ancillary funds; or testamentary charitable trusts.

"Generally speaking, a sub-fund with a public ancillary fund (PuAF) has significantly lower start-up costs than a private ancillary fund (PAF).

"These sub-funds are individual funds set up under the umbrella of a public ancillary fund, and are recommended for those who want to start small but nevertheless wish to have some direction over which charities, programs or causes they support. Sub-funds are a particularly good option for people who don't want to be involved with investment decisions.

"Donations to sub-funds attract the same tax deductions and considerations as making a donation directly to a charity.

"PAFs on the other hand, are often used for family foundations and are suitable for those who can donate larger sums of at least $500,000 in investible assets.

"Testamentary charitable trusts are the traditional way of leaving a lasting legacy to take effect via a Will after the philanthropist has passed, and are a common vehicle for distributing funds to charitable organisations and causes. The difference between a testamentary trust and a PAF and PuAF, is that beneficiaries of a testamentary trust do not have to be a Deductible Gift Recipient. Although this makes the options for giving wider unlike PAFs and PuAFs the donor does not receive a tax deduction for the funds held in a testamentary trust.

"Income and capital growth produced within all trusts endorsed as charitable is tax free making them an effective way to support to the charity sector in a long-term manner."

"Setting up such structures not only helps support worthwhile causes but does so in a way that gives them the kind of ongoing income that they most need," Ms Lovett said.

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Equity Trustees was established in 1888 for the purpose of providing independent and impartial Trustee and Executor services to help families throughout Australia protect their wealth. As one of Australia's largest and oldest listed independent trustees, we offer a diverse range of services to individuals, families and corporate clients including aged care advice, asset management, estate planning, philanthropic services and Responsible Entity (RE) services for external Fund Managers.

Equity Trustees Limited is a subsidiary of EQT Holdings Limited. EQT Holdings Limited is a publicly listed company on the Australian Securities Exchange (ASX: EQT) with offices in Melbourne, Kew, Sydney, Brisbane and Perth.

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