

Beginning your philanthropic journey

Experience the pleasure and satisfaction that comes from knowing what you give makes a difference.

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This is a guide for those beginning their philanthropic journey. It explores why you should consider giving and explains mechanisms for incorporating altruistic activities into your tax, wealth and family succession planning.

Key Benefits of Giving

More and more Australians are looking to not only do well, but to also do good. To achieve this, they are incorporating philanthropic activities into their tax, wealth and family succession planning. The Koda Philanthropy & Social Capital team has observed the following benefits experienced by clients and their families through their involvement in philanthropy:

- **It can make you happier** - the Harvard Business School Working Paper Feeling Good About Giving (Dunn, et al, 2008), presented 'research from a variety of samples and methods demonstrating that happier people give more, that giving indeed causes increased happiness, and that these two relationships may operate in a circular fashion.'
- **It can help give you a sense of purpose, meaning or significance** - making a difference can make a real difference to how you feel about yourself.
- **There is a clear need** - despite concerted efforts there is still poverty in the world, mental health is emerging as a key concern, the environment needs protecting, cancers and other diseases continue to cause great suffering and the world faces innumerable other challenges. Philanthropy cannot be expected to address these challenges alone, but it can play a significant strategic, symbolic and catalytic role in making ours a better world.
- **It is a way to help strengthen your community** - the act of giving is a glue that binds people within a community together. At a time when the idea of community seems to be under threat in Australia, giving in its broadest sense, is an effective way of building strong and meaningful links between people and places.
- **It is a way to use your skills and experiences to make a difference** - many Australians aspire to help using their skills and experiences to make a valuable difference to those in need.
- **You can support a cause you are passionate about** - giving takes on a whole new meaning when what you give to, really matters to you. If you are passionate about something that has affected your life, then giving can be a very effective way to make a difference.
- **You can help others who do not have the same opportunities you have** - anyone who appreciates the chances they have had can see the value in creating similar opportunities for those less fortunate.
- **You can give opportunities to others that you were denied yourself** - conversely, anyone who appreciates how life could have been easier, had certain opportunities been open to them, may be inclined to make those opportunities available to others.
- **It is one way to show leadership** - if you have the right motivation, it is not arrogant to be vocal about your giving; and it might encourage others to think about giving as well.
- **Giving can address social stratification** - effectively redistributing private wealth can help close the gap between the haves and the have-nots.
- **You can take advantage of available tax concessions** - gifts over \$2 are tax-deductible in Australia. For those considering some form of structured giving, bear in mind that gifts to charitable trusts, ancillary funds and other tax-exempt trusts, can also be invested to grow without the impost of income tax and capital gains tax.
- **Through giving, you can meet interesting people** - they may be inspirational, like-minded people, or if you are lucky, people who are not like-minded at all.
- **Giving represents a real opportunity to gain knowledge, insight and perspective** - gaining an appreciation of something new or challenging can be a reward in itself.
- **It can benefit your family** - many families use giving as a reason to get together, to talk about important things and to educate children. In the United States, a survey of Fidelity Charitable Giving donors found 94% agreed or strongly agreed with the statement 'I am teaching or have taught my children to give'. Giving is an opportunity to honour someone or something important to your family. Another way to give with purpose is to give in memory of someone you loved and respected.
- **It can also be fun** - Getting together with like-minded people to support a cause can be really enjoyable.

Your Philanthropic Options

There are many options available for those looking to make a philanthropic contribution. Koda Capital works with clients to determine the right option for them, their families or businesses now and into the future. When contemplating the right option for you, you should think about:

- The amount you plan to give away
- Your tax and financial circumstances
- When you intend to make a donation
- The types of organisations you are looking to support
- The involvement and control you wish to have over your giving
- Your family circumstances and willingness to engage other family members
- The period of time over which you plan to give (e.g. perpetuity or a set period of time)
- Your desire to create a flexible giving structure
- The likelihood that contributions will be made as part of your estate planning objectives
- The degree to which you want to focus on measuring your impact

Philanthropic and other altruistic activities for consideration include:

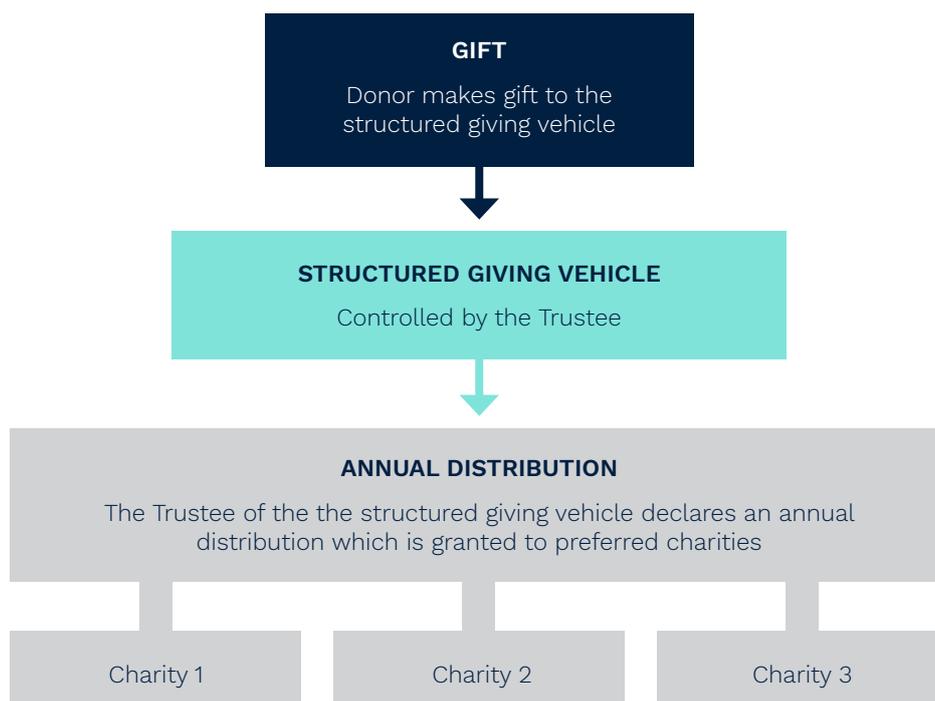
Give directly	Giving directly is the simplest way to give to charity and avoids the need to establish a formal structure. It allows you the flexibility to control when and how much you give to charity. Gifts over \$2 to a charity with Deductible Gift Recipient status will be tax deductible to the donor.
Establish a Structured Giving Vehicle	More Australians are looking to structure their giving through charitable trusts than ever before. Charitable trusts such as Private and Public Ancillary Funds allow you to create a pool of social capital that can increase in value through capital growth and tax-free income generation. Funds of this type can become an efficient and sustainable way to make annual charitable donations whilst creating a lasting legacy for you and your family.
Leave a bequest	Leaving a bequest through your will involves a distribution from your estate to a charitable organisation. Donors can choose to give directly to a charitable organisation or establish a testamentary charitable trust which can support organisations into perpetuity. Again, this can be an effective way to create a lasting legacy for you and your family.
Volunteer	Money is not the only form of capital you possess and there is more to volunteering than painting kitchens and cleaning beaches. You might be much more valuable to an organisation if you can lend them your professional or creative skills.
Purchase from a social enterprise	Social enterprises are revenue generating businesses that sell goods and services whilst simultaneously delivering a social and/or environmental benefit. Directing your consumption habits towards social enterprises is an increasingly popular way of providing support to communities.
Join a Giving Circle	Giving Circles bring together like-minded donors who pool their donation to make a larger gift to charity. Giving Circles are often formed around a common theme, demographic or geographic location. Giving Circles are great way to learn about giving and specific causes; to network and leverage your philanthropic dollars with others.
Invest for greater good	There are various ways to have a positive impact on the world through your investing. This can be done through screening out companies whose activities are deemed to have an adverse impact on society or favouring companies that have a positive impact. An extension of this is Impact Investing, an evolving investment market for financial products that deliberately sets out to achieve both a financial return and measurable social or environmental impact.
Take advantage of Workplace Giving	Workplace Giving is a way to give to charity through your salary via regular automated deductions. Workplace Giving is sometimes referred to as payroll giving and is a simple yet effective way to give. Not all employers offer Workplace Giving, though many of those that do will also offer a matching scheme, where the employer matches (to a limit) employee donations.

Structured Giving Vehicles

Establishing a Structured Giving Vehicle allows donors to create a lasting legacy that can provide an enduring positive impact on the community. These vehicles allow families, individuals or businesses to transfer assets via a charitable trust to charitable organisations. There are several benefits associated with structuring your giving in this manner:

- **Family** – Philanthropy is increasingly being used as a pathway for future generations to engage in a family’s wealth. By setting up charitable foundations, families are imparting important social values to younger generations and teaching them the value of a dollar. Younger generations can also be educated on important wealth management skills and disciplines in the process, while creating a lasting legacy for the family and having a positive impact on society. The benefits of philanthropy on future generations include:
 - Being a safe place to show your children a portion of the family balance sheet
 - Acting as a glue that bonds generations
 - Functioning as a platform for education, values development and engendering responsibility
 - Representing non-contentious money
 - Enduring across generations – perpetual foundations are common in Australia
 - Providing exposure to great people and great ideas
 - Allowing them to discover the three dimensions of investing: risk, return and impact
- **Tax effectiveness** – When you establish a structured giving vehicle, your initial and ongoing gifts are generally tax-deductible. Deductions may also be spread over five years. This allows donors to separate the timing of their deductions from their grants to charity. Assets held in structured giving vehicles often operate in a zero-tax environment and benefit from franking-credit refunds, allowing for greater appreciation of the corpus and more income generation.
- **Enhanced impact** – The advantages of establishing a structured giving vehicle are that it allows you to plan your giving and maximise your impact more effectively. The more time, effort and practice you put into something, the better you get at it. Philanthropy is no different. Structured giving allows you to form strong relationships with your recipient charities over time. Through this process, the knowledge you acquire about particular areas and the experience you gain through your granting will help you make better informed decisions as time goes by.

Below is an illustration of the basic fundamental process of most structured giving vehicles:



There are a number of structured giving vehicles available to Australian donors. Two of the most popular are Private Ancillary Funds and Public Ancillary Fund sub-funds. Details of each are as follows:

Private Ancillary Funds (PAF)

A Private Ancillary Fund is a form of charitable trust that was introduced in 2001, which has since become a popular structure for individuals and families looking to structure their giving. Establishing a Private Ancillary Fund gives you a high level of control and involvement. Private Ancillary Funds are therefore ideal for those looking to give in their own lifetime.

Minimum contribution	No minimum contribution. However, an initial gift of \$500,000 to \$1,000,000 is recommended for it to be financially viable.
Establishment time & cost	Between 6 and 12 weeks. Estimated establishment costs vary between \$2,000 to \$6,000. Annual compliance and audit costs are approximately \$2,000 to \$3,000 per annum.
Control	Controlled by a company established to act as trustee. Founders and their family members are often appointed as directors of the company. One director is required to be a 'Responsible Person' to act as an independent director. Private Ancillary Funds are governed by their trust deed, state-based trust law and the Australian Taxation Office's Private Ancillary Fund Guidelines.
Annual distribution to charity	At least 5% of the previous financial year end's net assets, or \$11,000, whichever is greater. Distributions are restricted to endorsed charities with Deductible Gift Recipient Item 1 status.
Investment strategy	Required to maintain a written investment policy/strategy. Investments are controlled by the trustee and assets are managed in a largely tax-exempt environment.
Legacy	Can last beyond your lifetime and can also be funded through your Will.

Public Ancillary Fund – Sub Fund Accounts

Philanthropy is not just for the rich. With even a modest amount of capital it is possible to establish a fund that will invest your tax-deductible contribution in a tax-exempt charitable trust. Establishing a named sub-fund in a Public Ancillary Fund allows donors to structure their giving, without the administrative burden of managing your own private foundation. Public Ancillary Funds offer less control and flexibility than Private Ancillary Funds, though the ease of administration allows you to focus your time on your work with your recipient charities. There are several providers of Public Ancillary Fund products and Koda can help you find the right one for you, your family or business.

Minimum contribution	\$2,000 to \$50,000 depending on the provider.
Establishment time & cost	Generally, two to three business days. Donors receive a named sub-account. There are normally zero or limited costs associated with establishment. On-going administration and investment costs are approximately 1.5% to 2.5% of the sub-fund's value, per annum.
Control	Controlled by the fund's trustee (independent of the donor). Donors make distribution nominations to the trustee. Trustees manage administration, investment, governance and compliance.
Annual distribution to charity	Normally at least 4% of the previous financial year end's net assets. Distributions are restricted to endorsed charities with Deductible Gift Recipient Item 1 status.
Investment strategy	Assets are pooled and managed centrally by the trustee. Assets are managed in a largely taxexempt environment.
Legacy	A sub-fund can continue beyond your lifetime, with responsibilities handed over to family, friends or the trustee of the fund. Gifts to the sub-fund can be made through your Will.

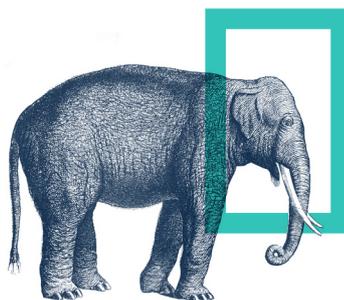
Koda's Philanthropy & Social Capital team

Our specialist Philanthropic & Social Capital team has significant experience in all aspects of philanthropic activity. The team works with philanthropic families and charitable foundations across Australia. The team has a deep knowledge that clients have found invaluable when taking the next step in their own philanthropic journey.

The Philanthropy & Social Capital team has a range of services available to clients. We can help you:

Set philanthropic goals	Determine the philanthropic goals and objectives for you, your family or business.
Choose an appropriate structure	Determine the best structure to achieve your philanthropic goals and objectives. When setting up a charitable structure, founders have numerous options and choices available to them. We can help you make the right choices to get the most out of your philanthropic vehicle.
Establish philanthropic structures	Simplify the establishment process, outline available options, introduce you to the most qualified lawyers and explain the duties and responsibilities you might encounter.
Maximise the tax-benefit	Identify the various concessions and entitlements available to you and to the charitable structure itself. Work alongside your accountant to organise tax-deductible contributions and explore opportunities to spread these deductions over multiple tax years.
Operational advice	Provide ongoing operational advice and arrange introductions to providers of philanthropic administration and compliance services.
Ongoing advice	Help you make the most of the philanthropic structure whilst avoiding the most common pitfalls.
Investment management	Manage the investment process. Managing and advising philanthropic investment portfolios is a core service of Koda. This service can include full custody and reporting. It is mandatory for some charitable foundations to maintain a written investment strategy. Koda's team has significant experience and expertise in the formulation and production of both simple and sophisticated investment strategies.
Innovative ideas	Introduce innovative ideas such as the emerging field of impact investing. Provide access to valuable compliance resources and share Koda's own philanthropic data and research. This will keep you keep abreast of the latest philanthropic trends - at both a domestic and international level.
Advice on distributions	Advise and educate you in relation to distribution policy and best practice. Koda's team has years of experience in making distributions from charitable foundations and considerable connections in the charitable sector across all major causes.
Family philanthropy	Determine how the structure will be incorporated into the family's broader activities and work across the generations (potentially in perpetuity).

Independent.
Specialised.
Experienced.



The financial advice we provide is genuinely independent and trustworthy, with no conflicts of interest, no favoured product alignments, and no commission-linked sales targets.

Our advisers and staff are some of the industry's most experienced wealth professionals. They have outstanding track records in client service and advice and are exceptionally well credentialed as philanthropic advisers.

Our advisers have collectively assisted hundreds of families achieve their philanthropic goals. Our team serve on charity boards, have co-founded giving circles, managed public ancillary funds, have studied non-profit leadership at institutions such as Harvard and have led major philanthropic and trustee advisory businesses in Australia.



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David is responsible for Koda's non-profit and philanthropic client business and for the firm's impact investing service. He chairs Koda's Non-Profit & Responsible Investment Group and sits on Koda's Partnership Committee. David has over 30 years industry experience, having worked overseas with Coutts & Co. and Merrill Lynch and in Australia with Perpetual and JBWere, where he led philanthropic & non-profit advice businesses.

David currently serves on several charity boards and advisory councils and is a co-founder and Chair of Plus One, which provides free professional development opportunities to charity leaders. He has significant experience of chairing and serving on endowment and investment committees, overseeing charitable funds in a fiduciary capacity.

David has studied non-profit governance at the AICD and the Harvard Business School. He is a professionally qualified trustee with significant experience of establishing, managing, investing and distributing trusts and foundations.

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Chris Wilson,
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Chris is a Koda Partner and member of the Koda Philanthropy and Social Capital team. His responsibilities include bringing philanthropic opportunities and solutions to clients. He also provides strategic advice to charitable and non-profit organisations in relation to their governance, endowment practices, capacity building, sustainability, and donor relations activity. Chris has been in financial services for close to two decades, working predominantly with high-net-worth individuals, corporations, and charitable institutions.

Chris is a Board Member of the Betty Amsden Foundation and a Co-Founder of Plus One; an initiative that opens up corporate leadership training to non-profit executives. Chris has previously been Chairman of the Reach Foundation and was a Founding Committee Member of Impact100Melbourne. Chris holds a Masters of Commercial Law, Bachelor of Business (Economics and Finance), and a Diploma in Financial Planning. More recently he completed the AICD's Governance Foundations for Non-Profit Directors course.

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