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Charitable foundations not preserve of only very wealthy

The idea of setting up a charitable foundation in the name of a loved one, which makes donations to a charity or good cause forever, appeals to many people, says Ms Tabitha Lovett, head of philanthropy services at Equity Trustees Limited (EQT).

“Yet most people think that charitable foundations and trusts are the reserve of the very wealthy, and that hundreds of thousands of dollars are needed as a starting point,” she said.

“In fact, this isn’t the case at all and a charitable fund can be set up with starting capital of only \$20,000 by establishing a charitable account or sub fund with a Public Ancillary Fund, which will distribute income year after year. Additional contributions can then be made over time to build the capital base.

“For those on a high income there can be significant tax advantages in this approach as donations are tax deductible and the deductions to the donor’s income can be upfront or spread across five years” she said.

Ms Lovett said that charitable foundations and accounts offer a number of benefits over other forms of philanthropy, such as making a one-off donation to a charity.

“People who have a desire to make a contribution through philanthropy should seriously consider a charitable foundation or account.

“Benefits of a charitable foundation or account include the fact that they distribute funds year after year; they can support particular projects and monitor their progress; they can be named after a loved one; over time the income generated and distributed may total more than the capital they start with, and a cause close to the heart of the donor or loved one can be supported long term.

“In particular, they are a lasting and rewarding way to have the name of a loved one remembered.

“For example, at Equity Trustees we manage the Ada Caroline Grant Scholarship Fund which was set up by Charles Grant with the words ‘in grateful recognition of my late dear wife’s love and devotion to me throughout our life together’.”

Ms Lovett said that Equity Trustees encourages clients to consider setting up a Private Ancillary Fund (also known as PAFs) or a charitable account with a Public Ancillary Fund, (such as the EQT Foundation) rather than a charitable trust through their Will, if they would like to see for themselves the benefits made possible through their donations during their lifetime.

“There are now over 900 Private Ancillary Funds in Australia which demonstrates a growing desire on the part of philanthropists to have more control over their

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charitable giving, rather than just signing a cheque to a charity at the end of the financial year to reduce their taxable income.

“A charitable foundation or account allows families to think about what they want to fund and to have greater input into where their funds are going, how their donations will be used.

”We’ve seen clients who have set up a foundation in or before their retirement who find it becomes a retirement interest and helps them to stay active and involved in their community and the causes in which they are interested.

“People who set up charitable foundations this way often get particular enjoyment out of involving their family in decisions around which causes or projects to support, bringing them closer together and establishing a tradition of philanthropy in their family.

“This approach also reduces the chance of the charitable gift being delayed or reduced through challenges to a Will,” she said.

“The range of charitable foundations available can be structured to suit the philanthropic goals of most people.

“Different approaches will suit different people but it is worthwhile for individuals and families to take the time to consider the aims of their philanthropic activities, how involved they want to be, and how it will affect other aspects of their life, including their own financial needs and that of their family,” Ms Lovett said.

About Equity Trustees: *Equity Trustees is a publicly listed company that provides a range of financial services to corporate and private clients. Its businesses include philanthropic services, private client wealth management, funds management, responsible entity appointments, and corporate and personal superannuation.*

The company manages more than \$4 billion in its funds management, private client and superannuation businesses and has over \$19 billion under responsible entity administration. Equity Trustees employs over 180 people in its Melbourne, Sydney and Brisbane offices.

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