



Strategies for Increasing High Net Worth and Ultra High Net Worth Giving

Prepared for the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs

Final Report

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Executive Summary

Overview:

- Australian HNW and UHNW do not give at the same level as their peers in other countries.
 - Australian HNW and UHNW tend to give at a relatively low level when calculated as a percentage of income or investable asset base.
 - Although Australian HNW and UHNW giving has increased in recent years, it has not kept pace with the increase in wealth.
 - Since 1999 the Government has put in place a range of tax incentives and structures to encourage HNW and UHNW giving including the introduction of private prescribed funds in 2001 (now private ancillary funds).
 - Notwithstanding that, many HNW and UHNW give on an ad hoc basis through periodic donations rather than through a formal trust or foundation structure.
- The differential in giving between Australia's HNW and UHNW population and its overseas peers appears to be influenced by a number of factors:
 - Relatively recent growth in the size and wealth of the HNW and UHNW population in Australia
 - A different social welfare and taxation tradition that prioritises the perceived role of Government over the private sector in addressing socio-economic and environmental issues and promoting cultural and civic participation
 - A differing association between wealth and philanthropy such that, unlike the USA, where a person's wealth status is seen as being reflected not only in the asset base that a person has but also how much they give away, wealth in Australia is predominantly measured by asset base alone and
 - A hesitancy on the part of many HNW and UHNW who do give to promote their giving activity, and in doing so, help cultivate a culture of giving, linked in part to the "tall poppy" syndrome in Australia.



Executive Summary (continued)

Overview (continued):

- As the number of HNW and UHNW in Australia grows, increasing focus is being placed on how best to encourage giving amongst those groups.
- A range of strategies have been used to promote giving overseas; that activity has been most effective where:
 - A range of strategies has been employed to promote donor activity
 - Activity has been tailored to take into account the diversity across different target donor groups and
 - Investments have been made in underlying philanthropic sector infrastructure to support implementation.

Factors Influencing Propensity to Give and Giving Behaviour:

- Research in Australia and overseas indicates that there are a number of factors that influence the propensity of HNW and UHNW to give including:
 - The cultural context in which the individual lives and whether or not there is a practice or expectation that individuals with wealth will or should give (i.e. whether being recognised as having wealth and being accepted into the HNW or UHNW group is linked not only to the assets you have but also what you give away)
 - The personal or family values that they have
 - Whether or not they see themselves as having the financial capacity to give.
- Whether or not an individual is likely to continue to give will be influenced by both the above factors and whether or not they have a positive experience when they give and so are encouraged to give again.
- What individuals give to and how they give are often influenced by and / or reflect a range of personal preferences and decision making characteristics.



Executive Summary (continued)

Factors Influencing Propensity to Give and Giving Behaviour (continued):

- Giving often increases over time as individuals move from giving small donations to giving larger amounts, often in a more regular or structured way.
- Attitudes towards giving are often laid down early in an individual's earning / asset accumulation cycle.
- Strategies to promote giving by HNW and UHNW need to take into account all of the above factors.

Consultation Findings:

- Research and consultations conducted as part of this project indicate that the ideal giving environment is one where giving is valued and is easy to do.
- Subject to limited exceptions, in general people interviewed as part of this project believe that existing legal and tax structures are adequate to support HNW and UHNW giving.
- Outside of that, the consultations indicate that many of the factors that operate to encourage giving in other countries are under-developed in Australia.
- There is strong support for the introduction of a Charities Commission for England and Wales style regulator to improve donor confidence in the NFP sector and make it easier for donors to identify organisations to fund.
- There is also support for a more proactive peak body to promote philanthropy and the development of the philanthropic sector.
- There is not support for a national foundation or pooled funding model involving Government and philanthropic contributions.
- These findings suggest that to promote giving Australia needs to build a stronger cultural expectation around giving and adopt strategies to more proactively engage potential HNW and UHNW donors and enable giving.



Executive Summary (continued)

Recommendations:

- Following is a series of ten recommendations that forms a structured strategy through which the Government can promote HNW and UHNW giving and support the long term development of social capital in Australia.
- The recommendations fall into two categories:
 - System Recommendations – that cover actions that aim to strengthen the underlying service system supporting the philanthropic sector to better enable / facilitate giving activity
 - Program Recommendations – that cover targeted initiatives that aim to increase the number of HNW and UHNW involved in giving and increase the amount of money that they give.
- Some of the system based recommendations identified in this paper have been identified previously and are critical to supporting the ongoing development and professionalisation of the philanthropic sector.
- In the absence of investments in those areas, the proposed program based initiatives are likely to be less successful.
- In prioritising activity in this area it is therefore recommended that particular focus be placed on implementing System Recommendations 1 – 5 and Program Recommendations 7.1 – 7.4.



Executive Summary (continued)

- Recommendation 1 Strengthen the ability of the philanthropic sector to promote and cultivate giving by supporting the development of a strong, sustainable national peak body to promote and cultivate giving in Australia. In order to do that it is recommended that the Government:
- Make provision for the sector to fund activity relating to the development of the sector by:
 - Making a special listing or providing specific naming in an act of parliament granting DGR status to Philanthropy Australia as the national peak body for the philanthropic sector on the basis that it is a not for profit organisation that operates to promote charitable giving or
 - Introducing a DGR category covering the promotion of philanthropy or
 - In the absence of being prepared to grant DGR status, then support the establishment of an independent special purpose fund for the promotion of philanthropy that has capacity to allocate funds to organisations without DGR status including Philanthropy Australia
 - Contribute seed / project based funding to (or through) Philanthropy Australia to support the coordinated development of the philanthropic sector.
- Recommendation 2 Appoint Giving and Philanthropy Ambassadors to promote philanthropy and encourage HNW and UHNW giving.
- Recommendation 3 Establish a national Registrar for Community and Charitable Purpose Organisations in accordance with the recommendations of the Productivity Commission in its Report on the Contribution of the Not For Profit (NFP) Sector¹ to:
- Make it easier for donors to identify and access information about NFP organisations
 - Improve confidence in NFP organisations' governance, accountability and performance.



Executive Summary (continued)

- Recommendation 4 Establish a regular forum or dialogue between the philanthropic sector and Government.
- Recommendation 5 Establish dedicated structures to improve communication between the ATO, Treasury and the philanthropic sector and encourage take up of available tax incentives and charitable giving structures by:
- Establishing a dedicated Australian Tax Office (ATO) Philanthropy Consultative Committee to improve dialogue between the ATO, Treasury and the philanthropic sector
 - Making the annual minimum distribution rate requirement associated with private and public ancillary funds a legislative rather than a regulatory requirement
 - Taking more active steps to promote available tax incentives and charitable giving structures to encourage adoption through the ATO website and communications.
- Recommendation 6¹ Encourage the development of intermediary organisations that operate to promote charitable giving to support the development and professionalisation of the philanthropic sector by:
- Introducing a DGR category covering the promotion of philanthropy or supporting the establishment of an independent special purpose fund for the promotion of philanthropy that has capacity to allocate funds to organisations without DGR status
 - Allowing expenses paid by PAF funds to non associate individuals and/or companies for research and due diligence to facilitate grant making to count towards the 5% minimum distribution requirement up to a maximum of 1%.

Note: (1) Declaration of Interest: It is noted that the author of this report, Effective Philanthropy, is an organisation that would potentially benefit from the implementation of this recommendation.



Executive Summary (continued)

- Recommendation 7 Contribute seed / program funding to (or through) the national peak body to support the development and implementation of a structured program of activity targeted at promoting philanthropic giving and engaging HNW and UHNW in giving activity including:
- 7.1 Strategic social marketing and promotional campaign targeted at:
 - Aspiring / Next Generation HNW, HNW and UHNW groups - to build a culture and practice of giving
 - Advisors working with HNW and UHNW groups and associated professional bodies - to get them to include the discussion of philanthropy when doing financial and estate planning with their clients
 - NFP organisations and fundraising staff and professionals - to reinforce how to ask effectively for funds and manage relationships with donors.
 - 7.2 Advisor education and training program targeted at accountants, legal and other professional advisors working with HNW and UHNW and associated professional bodies to get them to help cultivate HNW and UHNW giving.
 - 7.3 Targeted donor engagement programs that operate on a personal and peer group basis to:
 - Engage aspiring / next generation HNW in giving activity early in the income / asset accumulation cycle
 - Encourage HNW and UHNW at the low end of the giving spectrum to increase the level and / or regularity of their giving activity and move up and across the giving spectrum.



Executive Summary (continued)

- Recommendation 7 (continued)
- 7.4 Formal and informal giving circle programs designed to provide participants with information about specific issues / areas and encourage individual and collaborative giving.
 - 7.5 Research program to map philanthropic activity by issue / funding area to:
 - Better understand and profile the role being played by philanthropy
 - Support the development and implementation of giving circle / collaborative giving activities
 - Facilitate cross-sector engagement between Government and the philanthropic sector.
 - 7.6 Register of intermediary services that provide support to donors to set up grant making structures and give effectively.
- Recommendation 8
- Utilise matching grant and / or innovation fund models to encourage philanthropic engagement in specific areas.
- Recommendation 9
- Introduce a national Philanthropist of the Year Award as part of the Australia Day honours program to recognise leading philanthropic activity.
- Recommendation 10
- Support the development of social investment products and markets.



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Project Overview and Scope

- Philanthropy Australia (PA) has been engaged by the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to explore strategies to encourage greater levels of giving among Australia's high and ultra high net worth individuals (HNW and UHNW) ¹.
- As part of that project PA was initially asked to conduct a feasibility study into the establishment of a national foundation as a mechanism to strengthen HNW and UHNW giving.
- PA engaged Effective Philanthropy to undertake the above study.
- In undertaking that study Effective Philanthropy was asked to conduct desktop research and undertake stakeholder consultations to:
 - Review trends in high and ultra high net worth giving activity in Australia and overseas, in particular the USA and the UK
 - Identify incentives and disincentives (barriers) influencing giving activity amongst that group in Australia
 - Test the concept of using a national foundation to promote increased giving by that group and gauge potential interest in contributing to such a foundation and
 - Identify potential models for the establishment and operation of a foundation.
- Early in the consultation process it was identified that there was not interest in a national foundation amongst the target group.
- As a result of those findings the scope of the feasibility study was redefined by FaHCSIA to explore the broader question of what could be done to encourage HNW and UHNW giving in Australia.
- This paper outlines the findings of the resulting study.



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Methodology

- This paper is based on a detailed literature review and a series of stakeholder interviews conducted over a five week period in June – July 2010¹.
- The literature review covered materials from Australia and overseas and identified:
 - Trends in HNW and UHNW giving in Australia, the USA and the UK
 - Incentives and disincentives (barriers) to HNW and UHNW giving and
 - Foundation models and other strategies used to promote HNW and UHNW giving.
- Thirty-six (36) individual interviews were conducted with a range of stakeholders from across Australia:

HNW and UHNW	18
Community Foundations / Venture Philanthropy Funds	4
Financial advisors	5
Fundraisers	2
Intermediary Service Providers	1
Community Development Financial Institutions	1
Researchers	5

← 4 female and 14 male
Age group 40 years and above

- Interviews were conducted on a semi-structured basis and were either done face-to-face or by telephone. Potential HNW and UHNW interview candidates were recruited through Philanthropy Australia's membership network and researcher contacts. Participation was voluntary. Other interview candidates were identified through research conducted as part of the study or through referral from Philanthropy Australia or other interview candidates.
- In addition to the above one-on-one interviews three small group interviews were conducted. One of those groups was made up of sixteen (16) philanthropists and community foundation representatives. The other two were made up of ten (10) aspiring / next generation HNW representatives (age group 25 – 40 years).



Methodology (continued)

- Data on giving in Australia is limited. In order to be able to reference this project to published data the following definitions have been used to define HNW and UHNW groups.

Aspiring HNW	Low high net worth individual with assets outside of the family home and debt of over AUD\$1.2M and / or an annual personal taxable income of \$0.1M <> \$0.5M
Mid HNW	Mid high net worth individual with assets outside of the family home and debt of over AUD\$1.2M and an annual personal taxable income of \$0.5M <> \$1M
High HNW	High net worth individual with assets outside of the family home and debt of over AUD\$1.2M and an annual personal taxable income of \$1M plus
UHNW	Ultra high net worth individual with investable personal assets of \$30M or more

- The above definitions draw on those used by the Centre of Philanthropy and Nonprofit Studies, QUT in their recent work on giving in Australia, the Merrill Lynch / Capgemini World Wealth Report and the Australian Tax Office (ATO) high income band categories¹.



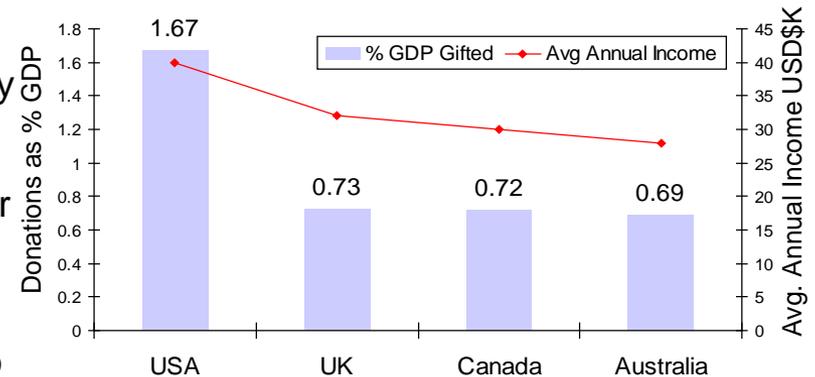
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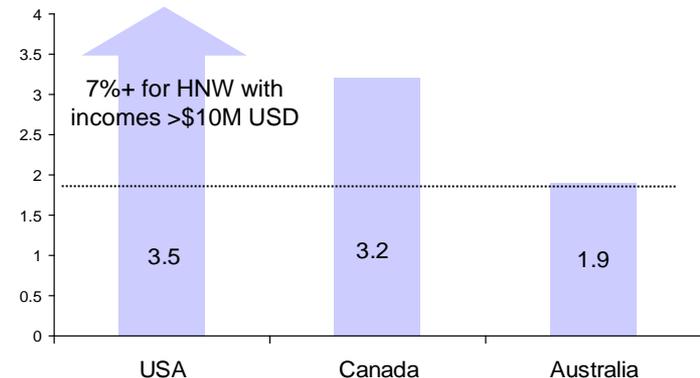
Australian HNW and UHNW do not give at the same level as their peers in other countries

- Comparisons of giving between countries are difficult because of variations in what countries count as giving and how they measure it¹.
- Available research suggests that:
 - Overall giving levels as a percentage of GDP are slightly lower in Australia than the UK and Canada and significantly lower than the USA² and
 - On average Australia's HNW and UHNW give at a lower level than their counterparts in the USA, Canada and the UK despite comparable wealth levels³.
- Australians with a taxable personal income of more than \$1M contribute less than 2% of their income, compared to 3.2% in Canada and 3.5% in the USA (>7% for those with incomes in excess of \$US10M)⁴.
- The 2007 World Wealth Report estimates that globally, the wealthiest investors (people with investable assets equivalent to \$USD30M plus) who contribute to philanthropic causes give away approximately 10% of their assets annually and people with investable assets of \$1M or more who contribute to philanthropic causes allocate between 3% and 12% of their assets annually⁵.
- By comparison, tax statistics in Australia indicate that making substantial donations still constitutes an exception rather than a norm for our HNW and UHNW⁵.

Donations as a Percentage of GDP shown against Average Annual Income (2004)²



HNW Contribution Rate (donations as percentage of pre-tax income)²



Note: (1) Madden & Scaife 2008., p.4.
 (2) Charities Aid Foundation., CAF Briefing Paper: International Comparisons of Charitable Giving., November 2006., p.6. (excludes legacies and religious taxes and direct gifts to the poor).
 (3) Madden & Scaife 2008., p.ii.
 (4) Tracey and Baker., How the Wealthy Give., Asia-Pacific Centre for Philanthropy and Social Investment Swinburne University of Technology, Melbourne, October 2004., p.18.
 (5) World Wealth Report 2007., CapGemini & Merrill Lynch., 2007. (World Wealth Report 2007)Madden & Scaife 2008., p.iii. (asset figures exclude primary residence, collectibles, consumables, and consumer durables).



Australian HNW and UHNW tend to give at a relatively low level when calculated as a percentage of income or investable asset base

- Approximately 65% of HNW and UHNW Australians claim deductions for their charitable giving¹.
- Some HNW and UHNW give in a substantial way, setting aside a significant proportion of their income or assets for philanthropic purposes; in some cases they have committed to giving away the full amount that they have set aside for that purpose during their lifetime².
- In general, however, Australian HNW and UHNW tend to give at a relatively low level.
- Measured as a percentage of taxable income, tax deductible donations across most of the HNW population are only marginally higher than lower income Australians¹ (see below).

HNW Giving Profile³

HNW Segment	Aspiring / Low	Mid	High / Ultra
Taxable income	\$0.1 <> \$0.5M	\$0.5 <> \$1M	\$1M+
# taxpayers	466,130	13,230	4500
Percentage claiming charitable donations	59.2%	62%	66%
Value of total donations	\$310M	\$64.5M	\$176.6M
Average gift per donor as a percentage of taxable income (compared to average for Australians on incomes of <\$0.1M of 0.3%)	0.45%	0.78%	1.98%
Average gift	\$1.1K	\$7.8K	\$59.4K

Note: (1) Madden & Scaife 2008., pp.9 – 14.

(2) Consultation interviews.

(3) McGregor-Lowndes and Newton., An Examination of Tax-Deductible Donations Made by Individual Australian Taxpayers in 2004-05 (No. 37). Brisbane: Centre of Philanthropy and Nonprofit Studies, QUT., 2007. quoted in Madden & Scaife 2008., pp.11-12.



Although Australian HNW and UHNW giving has increased in recent years, it has not kept pace with the increase in wealth

- Global research generally indicates that people who are more wealthy tend to give more than their less wealthy counterparts, both in real terms and as a proportion of their income or investable asset base¹.
- Australia's HNW population is one of the fastest growing in the world; a trend that is projected to continue over coming decades². Between 2004 – 2006 the World Wealth Report estimates that the number of HNW Investors (with investable assets of \$1M or more) in Australia increased by approximately 37% and the number of UHNW Investors (with investable assets equivalent to \$USD30M plus) increased by approximately 12%³.
- Between 1995 – 2005 the mean household income for Australia's HNW and UHNW population increased by 36%. The strongest growth occurred at the top end of the income spectrum⁴.
- Although the number of donors and the level of giving across Australia's HNW and UHNW group increased over that period, those increases have not kept pace with the increase in wealth⁵.
- The strongest growth in giving appears to have occurred in the High HNW and UHNW groups⁵. That may in part be due to changes in taxation laws introduced since 1999 to encourage HNW and UHNW giving, including the introduction of Private Prescribed Funds (PPFs) in 2001, now called Private Ancillary Funds (PAFs)⁶.

Note: (1) Madden & Scaife 2008., p.18.

(2) World Wealth Report 2006., CapGemini & Merrill Lynch., 2006. (World Wealth Report 2006); Madden & Scaife 2008., pp.ii.

(3) World Wealth Report 2006., Madden & Scaife 2008., p.6.

(4) Madden & Scaife 2008., p.6.

(5) Madden & Scaife 2008., pp.6-14.

(6) From 1 October 2009, all Prescribed Private Funds became Private Ancillary Funds ([http://philanthropywiki.org.au/index.php/ Category: Prescribed_Private_Funds](http://philanthropywiki.org.au/index.php/Category:Prescribed_Private_Funds))



Since 1999 the Government has put in place a range of tax incentives and structures to encourage HNW and UHNW giving

- Since 1999 the Government has put in place a range of tax incentives and structures to promote HNW and UHNW giving through donations, capital formation and endowment building, including¹:
 - Five year averaging of donations
 - Deductions for gifts of property or shares over \$5K
 - Deductions for minor benefit contributions relating to fundraising dinners and similar events
 - Deductions for workplace giving
 - Conservation covenants
 - Capital gains tax exemption for cultural gifts
 - Introduction of Private Prescribed Funds (PPFs).
- A review of the PPF structure was conducted and a revised, simplified Private Ancillary Fund (PAF) structure was introduced in October 2009. A like review of public ancillary fund structures is planned for 2010/11.
- Over the past five years tax deductible giving has increased by an average of nearly 15% per annum, due in part to the above incentives and a strong economy².

Timeline¹

March 1999 – a series of tax incentives introduced based on recommendations by the Business and Community Partnerships Working Group on Taxation Reform¹

June 2001 – PPF introduced

May 2008 – PPF review anticipated in Budget Papers

Nov 2008 – review into PPF integrity arrangements conducted

Oct 2009 – PAF and transitional arrangements introduced

May 2010 – Public Ancillary Fund review anticipated in Budget Papers

Note (1) Madden & Scaife 2008., p.14.; McGregor-Lownders, Newton and Marsden., Did Tax Incentives Play and Part in Increased Giving?, Australian Journal of Social Issues., 2006.

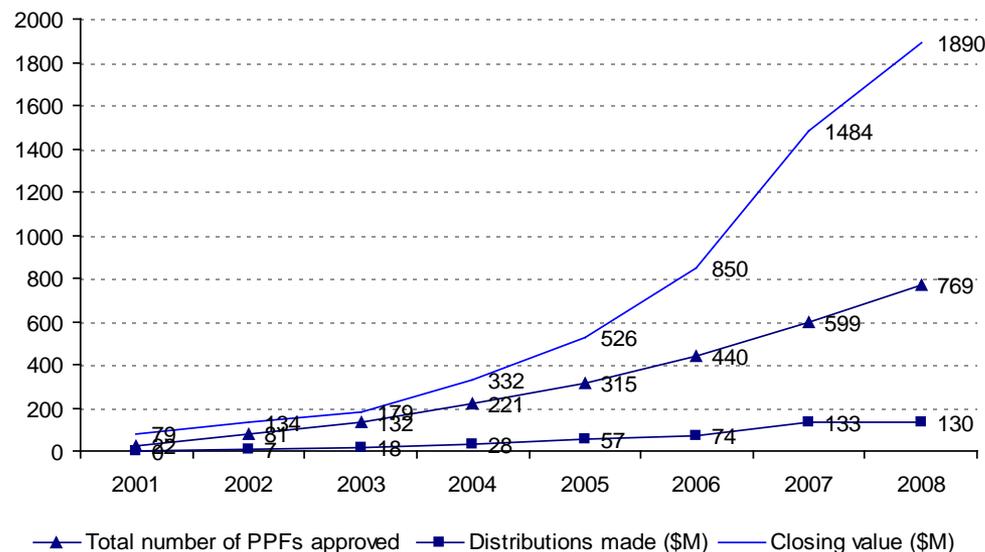
(2) ACPNS Current Issues Sheet 2010/2: Tax Deductable Giving in 2007-2008., Brisbane: Centre of Philanthropy and Nonprofit Studies, QUT.

Overview

Notwithstanding the introduction of private ancillary funds, many HNW and UHNW give on an ad hoc basis through periodic donations rather than through a formal trust or foundation structure

- Notwithstanding the introduction of the PPF structure in 2001, many HNW and UHNW continue to give on an ad hoc basis, through periodic donations, rather than through a formal structure.
- As of 31 October 2009, 769 PPFs (now PAFs) had been approved or were waiting on formal notification of approval¹.
- There are now over 800 PAFs with over \$1.9B in funds².

Numbers PPFs, Donations Received & Distributions Made (2001 – 2008 Australian Tax Office figures)¹



Note: (1) ACPNS Current Issues Sheet 2010/1: Prescribed Private Funds 2007 - 2008., Brisbane: Centre of Philanthropy and Nonprofit Studies, QUT.
(2) Hon. N Sherry., Speech No.017., Launch of Philanthropy Australia's Private Ancillary Fund Handbook., Melbourne., 10 November 2010., <http://ministers.treasury.gov.au>.

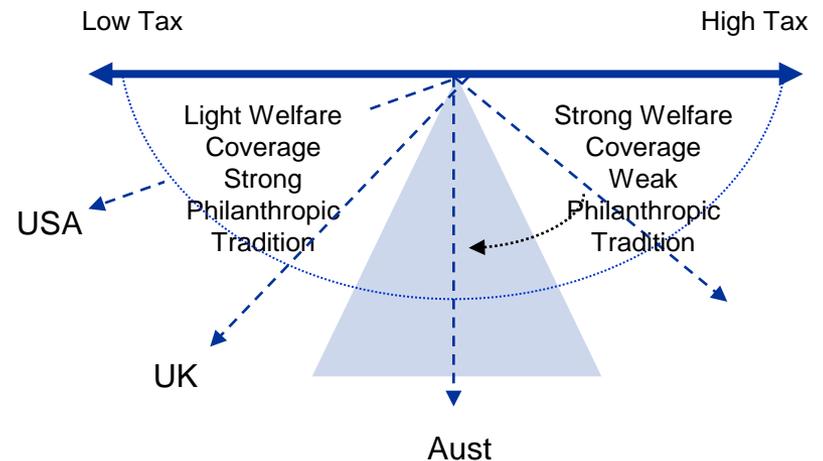


The differential in giving between Australia's HNW and UHNW population and its overseas peers appears to be influenced by a number of factors

The differential in giving between Australia's HNW and UHNW population and its overseas peers appears to be influenced by a number of factors:

- Relatively recent growth in the size and wealth of the HNW and UHNW population in Australia
- A different social welfare and taxation tradition that prioritises the perceived role of Government over the private sector in addressing socio-economic and environmental issues and promoting cultural and civic participation
- A differing association between wealth and philanthropy such that, unlike the USA, where a person's wealth status is seen as being reflected not only in the asset base that a person has but also how much they give away, wealth in Australia is predominantly measured by asset base alone and
- A hesitancy on the part of many HNW and UHNW who do give to promote their giving activity, and in doing so, help cultivate a culture of giving, linked in part to the "tall poppy" syndrome in Australia.

Philanthropic Tradition (Pendulum)



- Small government (weak welfare state) tradition
- Stronger philanthropic tradition
- Strong association between wealth and philanthropy
- Strong history of private investment in community
- Clearly defined "role" for philanthropy in addressing socio-economic and environmental needs and encouraging civic participation

- Big government (strong welfare state) tradition
- Weaker philanthropic tradition
- No strong association between wealth and philanthropy
- Strong history of government investment in community
- Clearly defined "role" for government in addressing socio-economic and environmental needs and encouraging civic participation



As the number of HNW and UHNW in Australia grows, increasing focus is being placed on how best to encourage giving amongst those groups

- The move to focus on how to encourage giving reflects similar trends in other developed economies.
- Concerted initiatives to promote philanthropy have been undertaken in a number of countries including the USA, Canada and the UK¹.
- In many countries the trend to promote giving has mirrored shifts in the provision of services away from Government and increasing reliance on the not for profit (NFP) sector².
- Promotional activities overseas have focused on HNW and UHNW, corporate and general giving and Diaspora groups.
- Four waves of activity have been identified¹:
 - Improving the legal and regulatory environment for philanthropy by strengthening regulatory frameworks for giving, providing tax incentives for giving and increasing institutional accountability and transparency in the NFP sector
 - Implementing broad-based public awareness or social marketing campaigns to encourage participation in giving and volunteering activity
 - Increasing the number and reach of community foundations and
 - Promoting second generation philanthropy associated with the intergenerational transfer of wealth.



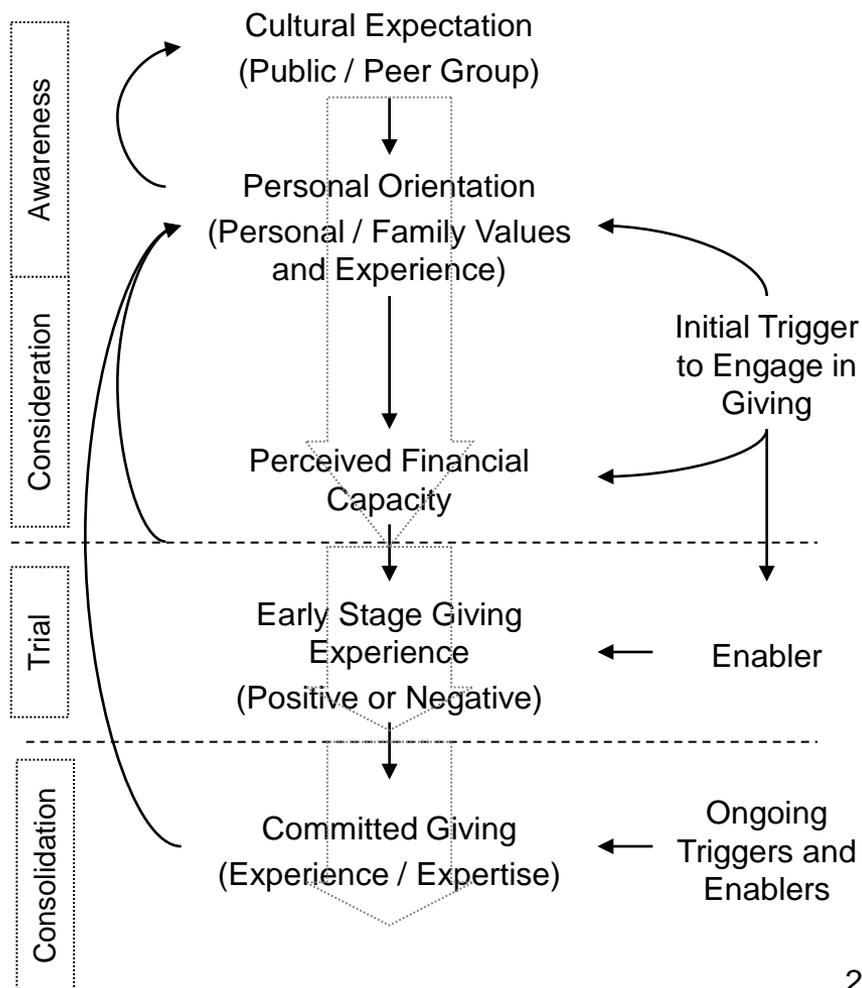
A range of strategies has been used to promote giving overseas

- Strategies used to promote giving overseas have included:
 - Legal and regulatory reform
 - Social marketing campaigns
 - Donor leadership programs
 - Donor education
 - Professional advisor education
 - Peer based giving programs (including pooled funds and collaborative giving circles)
 - Matching grant, social banking and investment programs
 - Investments in philanthropic infrastructure (including donor associations that work to strengthen philanthropy through donor networking, education, training, research and publications).
- Research suggests that activity aimed at increasing giving is more effective where³:
 - A range of strategies is employed to promote donor activity
 - Activity is tailored to take into account the diversity across different target donor groups
 - Investments are made in underlying philanthropic sector infrastructure to support implementation.
- The balance of this paper explores the factors that influence HNW and UHNW giving behaviour in Australia and proposes a range of strategies to encourage giving across that group.

Research in Australia and overseas indicates that there are a number of factors that influence the propensity of HNW and UHNW to give

- Giving is generally considered to be a very personal experience. Research indicates that the propensity of an individual to give (and move from awareness to trial) is likely to be influenced by a mix of factors, including:
 - The cultural context in which the individual lives and whether or not there is a practice or expectation that individuals with wealth will or should give (i.e. whether being recognised as having wealth and being accepted into the HNW or UHNW group is linked not only to the assets you have but also what you give away)
 - The personal or family values that they have
 - Whether or not they see themselves as having the financial capacity to give.
- Whether or not an individual is likely to continue to give will be influenced by both the above factors and whether or not they have a positive experience when they give and so are encouraged to give again.
- Often there will be an event or experience that will act as a “trigger” for an individual to give.
- “Enablers” that provide incentives and make it easy to give (such as tax incentives and tax effective structures, intermediary services and peer advice) also play an important role in encouraging people to engage in giving activity.
- The experience of giving, ongoing triggers and enablers then play an ongoing role in getting people to keep giving and give more over time.

Factors Influencing Propensity to Give (The Pathway to Giving)





What individuals give to and how they give are often influenced by and / or reflect a range of personal preferences and decision making characteristics

- Research indicates that how donors give is strongly influenced by their personal experience, social networks and norms¹.
- The above factors influence the (often sub-conscious) value, preference and decision making frameworks that donors use when deciding what to give and whom to give to.
- Giving behaviour appears to be particularly influenced by²:
 - Personal tastes, preferences and passions
 - Personal backgrounds, including upbringing, education and professional experience
 - Perceptions of recipient competence (often linked to values and decision making frameworks informed by the donor's personal and professional background)
 - Desire for personal profile or impact (linked to personal characteristics and values)
 - Past giving behaviour and experience.

Factors Influencing Giving Behaviour³

Interviews conducted with donors as part of this project identified a number of factors influencing giving behaviour, some of which were common and others which varied depending on the donor.

Common Features:

- Desire to control how and where money is spent
- Desire to leverage investment to attract other funding
- Hesitancy to be tied to “restrictive” funding conditions (often associated with Government involvement)
- Intention to augment not duplicate or substitute for Government funding

Varying Features:

- Issue / focus area
- Funding approach
- Desire for personal profile / recognition
- Interest in being actively engaged in grant making process or with recipient organisations
- Bias towards grant making versus impact investing

Note: (1) Breeze., How Donors Choose Charities: Findings of a Study of Donor Perceptions of the Nature and Distribution of Charitable Benefit., Centre for Charitable Giving and Philanthropy., University of Kent., 2010., p.13. (Breeze 2010)

(2) Ibid., pp.20 ff.

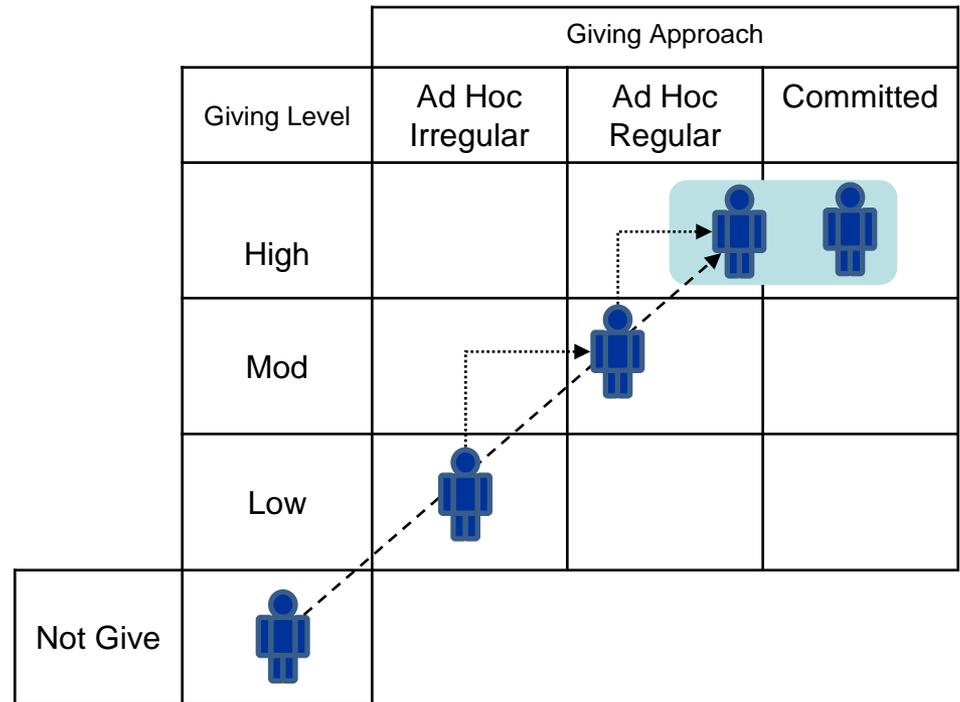
(3) Consultation interviews. See Appendix 2 for a Summary of Factors Influencing Propensity to Give and Giving Behaviour.



Giving often increases over time as individuals move from giving small donations, to giving larger amounts, often in a more regular or structured way

- There is not a single pathway that individuals follow when they move into giving.
- Some individuals will start by giving smaller donations on an ad hoc basis and then gradually increase the amount and frequency of their giving over time.
- Others will “skip” stages and move directly up into higher and / or more committed levels of giving.
- Movements up and across the “giving spectrum” are made in response to a “trigger” of some sort, be that a:
 - Change in life stage or financial status
 - Personal experience or event
 - Exposure to an issue, cause, individual or organisation that they want to become involved with or
 - Receipt of an effective “ask” for support.

Moving “Up and Across” the Giving Spectrum



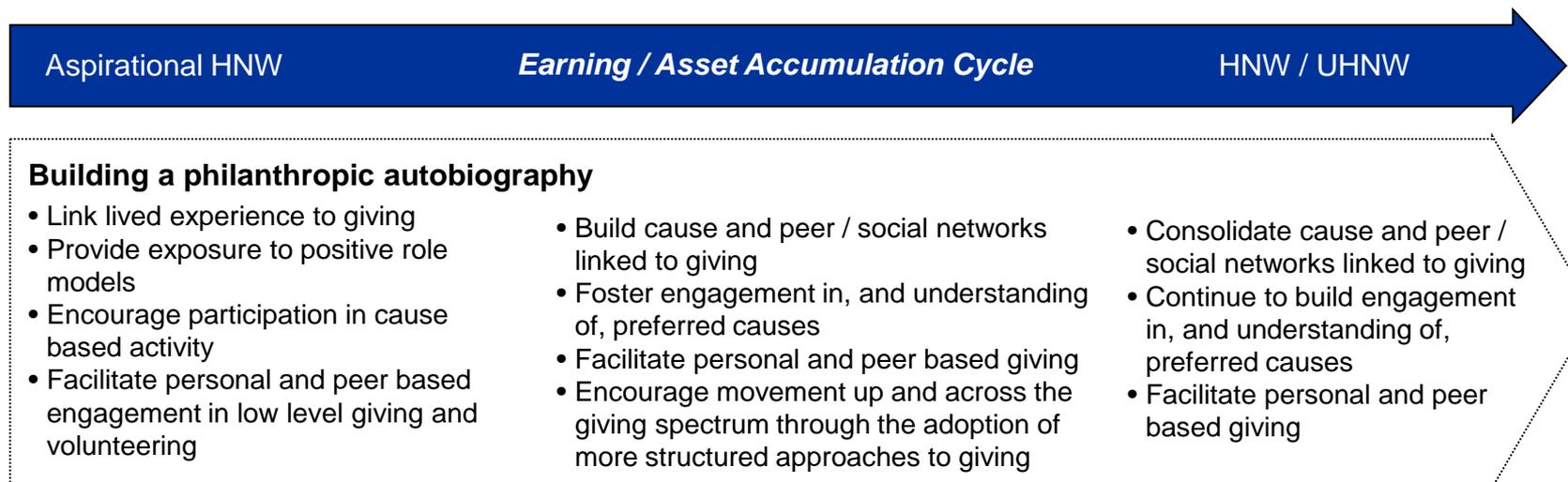
In seeking to encourage HNW and UHNW to give, the Government is in effect seeking to get individuals to move “up and across” the giving spectrum, so that they are giving at a high level in a planned rather than a spontaneous way, either through regular donations or a formal grant making structure.



Attitudes towards giving are often laid down early in an individual's earning / asset accumulation cycle

- Attitudes towards giving are often influenced by experiences and value sets laid down early in the earning / asset accumulation cycle and are linked to the definition that people associate with personal and professional success.
- Although the financial capacity to give early in the earning / asset accumulation cycle may be less, experiences that expose individuals to role models that link personal and professional success with giving, provide opportunities for exposure to social causes and facilitate giving can help build a “philanthropic autobiography”¹ that leads to stronger engagement in giving as the individual moves up the income / asset accumulation cycle.

Laying the Foundations for Giving Early in the Earning / Asset Accumulation Cycle



Note: (1) Breeze 2010., p.34; Payton and Moody., Understanding Philanthropy: Its Meaning and Mission., Indiana University Press., 2008., p.21.



Strategies to promote giving by HNW and UHNW need to take into account all of the above factors

- Strategies to promote giving by HNW and UHNW need to take into account:
 - Whether or not an individual is engaged in giving
 - What factors are influencing their propensity to give (or not to give)
 - Where the individual is up to in the income / asset accumulation cycle and the composition of their asset base
 - Where they are up to on the giving spectrum in terms of both the level of giving they are involved in and whether they are making donations on a periodic or more regular basis or giving through a formal grant making structure
 - What factors / preferences influence their individual giving behaviour.
- Variations in the above factors mean that the philanthropic market is highly segmented.
- It follows that any strategy to promote HNW and UHNW giving must be structured to meet the needs of different segments.
- A detailed segmentation analysis is beyond the scope of this project; as such, the strategies detailed in this paper only distinguish between broad target groups. Further work would be required when implementing the strategies to tailor activity to meet the needs of specific donor segments.

Engagement and Giving Strategies Vary Across Different Groups

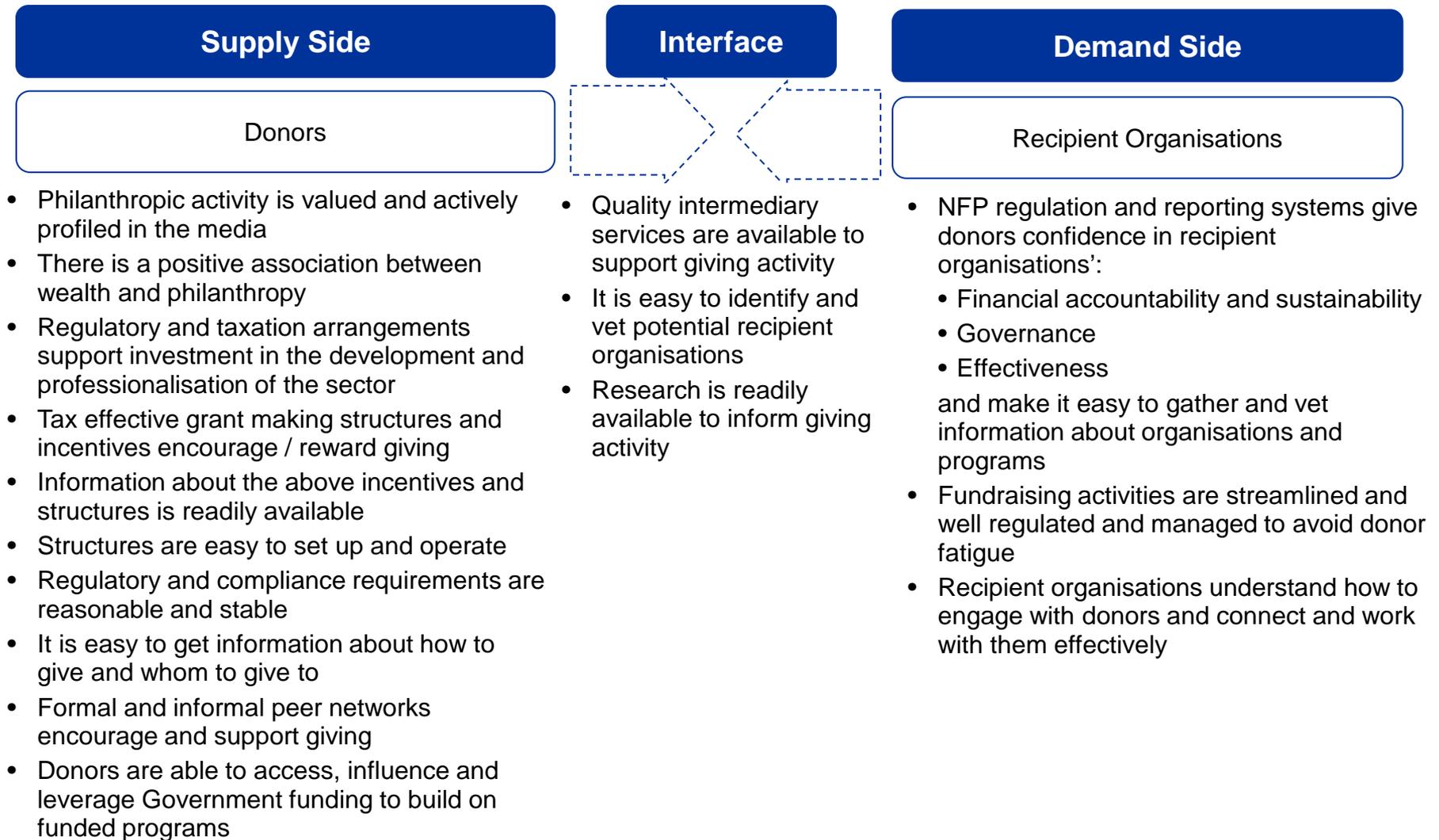
		Giving Approach		
		Ad Hoc Irregular	Ad Hoc Regular	Committed
Giving Level	High			
	Mod			
	Low			
Not Give				

The table is annotated with blue dashed circles and arrows. A circle encloses the 'Not Give' row and the 'Low' row. Another circle encloses the 'Mod' and 'High' rows. A third circle encloses the 'Ad Hoc Regular' and 'Committed' columns. Dotted arrows point from the 'Not Give' icon to the 'Low' icon, from the 'Low' icon to the 'Mod' icon, and from the 'Mod' icon to the 'High' icon, indicating a progression or relationship between giving levels.

Engagement and giving strategies need to be tailored to address the different needs of different target groups.



Research and consultations conducted as part of this project indicate that the ideal giving environment is one where giving is valued and is easy to do



Subject to limited exceptions, in general people interviewed as part of this project believe that existing legal and tax structures are adequate to support HNW and UHNW giving

- Most of the people interviewed in the course of this project did not believe that there was a need to introduce any further legal structures to promote giving in Australia.
- Exceptions to this included:
 - Support amongst a small but significant sub-set of the HNW individuals interviewed (usually those who already give a substantial proportion of their annual income / asset base) for the introduction of an estate tax to promote lifetime giving.
 - It is noted that a recommendation was made that a bequests tax be further explored in the recent Henry Tax Review and was rejected by the Government; in light of that this option has not been further explored in this paper¹.
 - Support for the introduction of legal mechanisms to encourage Mission Related and Program Related investments akin to those permitted in the USA as a way of better leveraging trust and foundations' existing corpus funds for social purpose.
 - Support for the introduction of charitable remainder trusts; however, views as to the likely take up and effectiveness of these was mixed.

Note: (1) Australian Government., Australia's Future Tax System: The Retirement Income System: Report on Strategic Issues., Canberra., May 2009 (Recommendation 25) <http://taxreview.treasury.gov.au>; Australian Government, Tax Plan for Our Future., <http://www.futuretax.gov.au>.

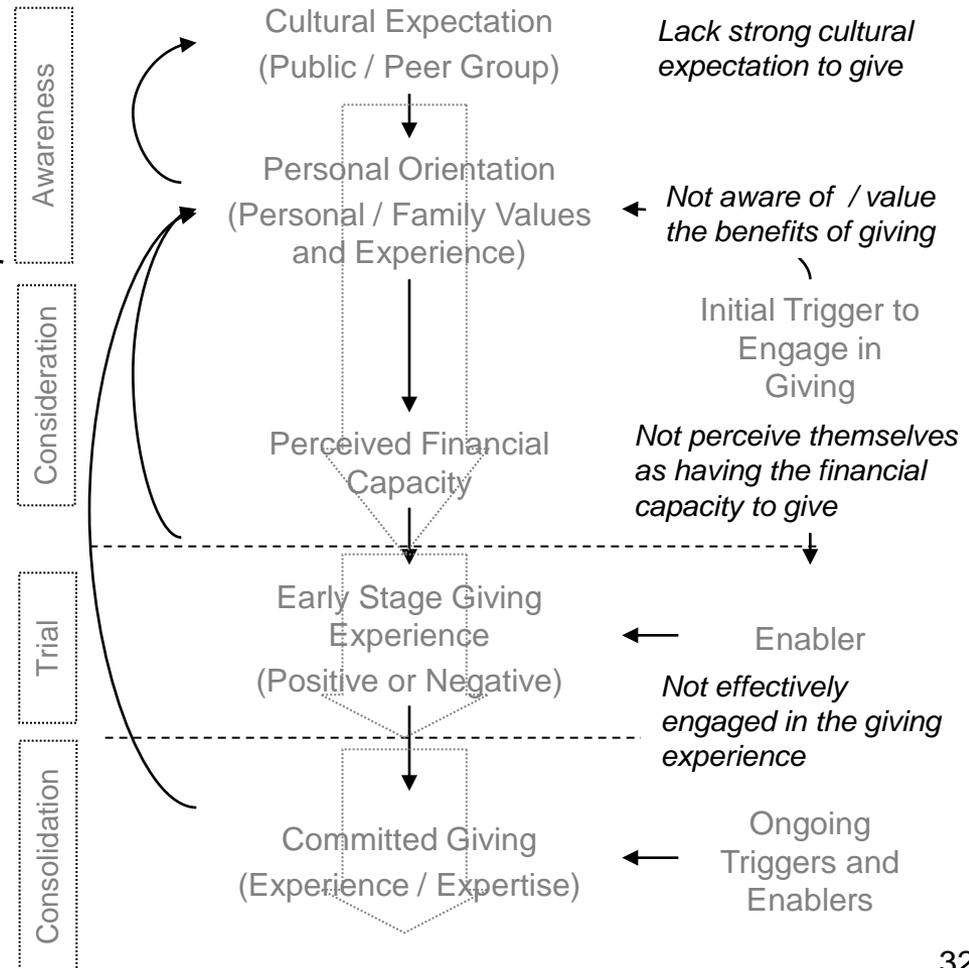


Outside of that, the consultations indicate that many of the factors that operate to encourage giving in other countries are under-developed in Australia

Research and consultations conducted as part of this project indicate that many HNW and UHNW in Australia who do not give or give substantially:

- Do not perceive themselves as having a role / responsibility to give (many believe that need is being met through or is the responsibility of Government or the welfare system)
- Are not aware of the personal and / or financial benefits associated with giving and / or do not value them sufficiently to influence their behaviour
- Do not perceive themselves as having the financial capacity to give or give substantially
 - They are not comfortable putting funds permanently “out of reach” and / or
 - Believe they need to preserve their capital base to meet their future needs or those of their family or children
- Have not been asked (appropriately) to give or have had a negative experience of giving
- Are not aware of how to go about giving
 - Not aware of the structures / services available to support giving
 - Not aware of how to give or whom to give to and / or
- Lack confidence in the ability of not for profit organisations to spend their money well.

Factors Influencing Propensity to Give (The Pathway to Giving)



There is strong support for the introduction of a Charities Commission for England and Wales style regulator to improve donor confidence in the NFP sector and make it easier for donors to identify organisations to fund

- There is support for the introduction of a centralised Charities Commission for England and Wales style regulator that has responsibility for regulating NFP activity with the objective of:
 - Enhancing the transparency and accountability of not for profit activity
 - Encouraging effectiveness and impact of organisations receiving philanthropic funds
 - Promoting good governance and ensuring compliance with regulatory obligations
 - Promoting public interest in charitable activity.
- It is felt that the establishment of such a body would:
 - Make it easier for donors to identify and access information about not for profit organisations
 - Improve confidence in not for profit organisations' governance, accountability and performance.
- Particular value was placed on the ability to have a single portal through which donors could identify NFP organisations and access basic financial and organisational documentation (including annual reports and audited accounts).
- It is noted that the recent Productivity Commission Report into the NFP Sector¹ considered the establishment of an independent national commission such as the Charities Commission for England and Wales.
- While acknowledging the value of such an entity it noted that there are challenges associated with moving to a single regulator in the Australian federal context.
- The Productivity Commission recommended the establishment of a national regulator with responsibility for Commonwealth level regulatory arrangements including registration and tax endorsements, the submission of corporate and financial information and registration for national and / or cross-jurisdictional fundraising activities¹.

Note: (1) Productivity Commission, Contribution of the Not-For-Profit Sector, Research Report, Canberra, 2010., p.113ff.

There is also support for a more proactive peak body to promote philanthropy and the development of the philanthropic sector

- Consultations indicate that there is a view within the sector that more needs to be done to promote giving and support the development of philanthropy through Philanthropy Australia, as the national peak body for the sector¹, and through the development of other specialist intermediary service providers.
- Legislative and trust arrangements currently limit the ability of the sector to use trust funds to support the development of the sector through Philanthropy Australia or access intermediary services.
- A number of funds are prevented from funding sector development under the terms of their trust deed.
- The requirement that PAFs only give to charitable entities with DGR status also prevents them from allocating funds to Philanthropy Australia or other intermediary service providers that do not have DGR status outside of limited expenditure that can be directly linked to the appropriate administration of the fund.

Focus Areas for Development		Coverage
Advocacy	Advocacy on issues impacting the development of the philanthropic sector	
Marketing & Promotion	Profiling of philanthropic activity and promotion of giving	
Donor Engagement	Development and implementation of strategies to engage prospective donors and grant makers and support them to move up and across the giving cycle	
Donor Advisory Services	Provision of information, services and tools to assist donors to: <ul style="list-style-type: none"> • Understand structural options • Access support to set up structures • Build grant making skills 	
Third Party Advisory Services	Provision of information, services and tools to assist professionals and intermediaries working with donors / potential donors to support effective giving	
Networking	Development and coordination of networking groups / giving circles to share information and encourage giving	
Information Services	Provision of information about local and overseas grant making trends, practices and activity	
Research	Conduct and dissemination of research relating to the philanthropic sector and areas of interest to grant makers to inform giving activity	

Note (1) Philanthropy Australia has offices in Sydney and Melbourne and provides services across most of the areas identified in the table. Its ability to deliver those services is limited by funding and related capability constraints.

Limited  Moderate  Significant 



There is not support for a national foundation or pooled funding model involving Government and philanthropic contributions

- The consultations indicated that there was not interest on the part of HNW and UHNW donors in contributing to a national foundation or pooled funding model involving Government.
- Lack of interest in participating in such a model was based on a number of factors, including donors':
 - General lack of trust in Government and the capacity of Government to deliver (better) results than philanthropists
 - Perceived risk that involvement in a national foundation or pooled funding model would result in funds being used to fund areas of Government responsibility
 - Desire to control how and where money is spent and
 - Hesitancy to be tied to “restrictive” funding conditions often associated with Government involvement.

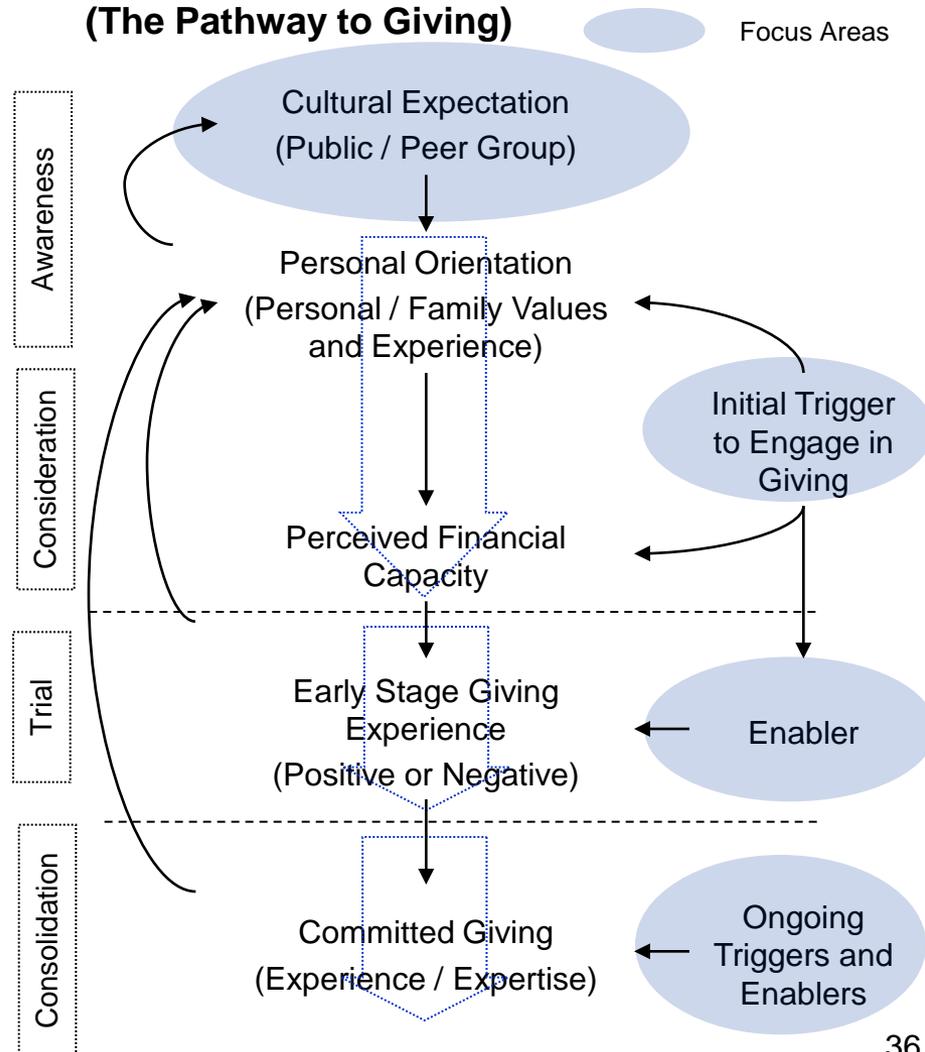
Consultation Findings

Those findings suggest that to promote giving Australia needs to build a stronger cultural expectation around giving and adopt strategies to more proactively engage potential HNW and UHNW donors and enable giving

In order to address those gaps and promote giving there is a need to:

- Build a cultural expectation around giving
 - Promote the role of philanthropy
 - Increase the value placed on giving
 - Strengthen the association between wealth and giving
- Increase awareness of the social, financial and personal benefits associated with giving and provide HNW and UHNW with exposure to information and experiences to trigger engagement in giving
- Address barriers to giving by making it easier to give and proactively encourage and support HNW and UHNW to move up the giving spectrum
 - Build awareness of structures / services available to support giving
 - Provide support to help understand / negotiate the giving process
 - Improve access to information about not for profit organisations and address perceived accountability and transparency issues
 - Improve capability of the not for profit sector to engage with donors effectively.

Factors Influencing Propensity to Give (The Pathway to Giving)





Following are a series of ten recommendations that form a structured strategy through which the Government can promote HNW and UHNW giving and support the long term development of social capital in Australia

- Based on the research and consultations conducted for this project we have developed a series of ten recommendations that form a structured strategy through which the Government can promote HNW and UHNW giving and support the long term development of social capital in Australia.
- The recommendations fall into two categories:
 - System Recommendations – that cover actions that aim to strengthen the underlying service system supporting the philanthropic sector to better enable / facilitate giving activity
 - Program Recommendations – that cover targeted initiatives that aim to increase the number of HNW and UHNW involved in giving and increase the amount of money that they give.
- Some of the system based recommendations identified in this paper have been identified previously and are critical to supporting the ongoing development and professionalisation of the philanthropic sector.
- In the absence of investments in those areas, the proposed program based initiatives are likely to be less successful.
- In prioritising activity in this area it is therefore recommended that particular focus be placed on implementing System Recommendations 1 – 5 and Program Recommendations 7.1 – 7.4 (priority recommendations are marked with an asterisk*).
- Given the specific focus of this project on encouraging giving amongst HNW and UHNW, the Program Recommendations that have been made focus on activities targeted at individuals who have entered the workforce and are earning at a level that classifies them as Aspiring / Next Generation HNW or who are existing HNW and UHNW.
- The report does not include recommendations targeted at the broader population to encourage giving or volunteering, or school or tertiary based programs.

The first six (6) recommendations cover actions that aim to strengthen the service system supporting the philanthropic sector

- Recommendation 1* Strengthen the ability of the philanthropic sector to promote and cultivate giving by supporting the development of a strong, sustainable national peak body to promote and cultivate giving in Australia. In order to do that it is recommended that the Government:
- Make provision for the sector to fund activity relating to the development of the sector by:
 - Making a special listing or providing specific naming in an act of parliament granting DGR status to Philanthropy Australia as the national peak body for the philanthropic sector on the basis that it is a not for profit organisation that operates to promote charitable giving or
 - Introducing a DGR category covering the promotion of philanthropy or
 - In the absence of being prepared to grant DGR status, then support the establishment of an independent special purpose fund for the promotion of philanthropy that has capacity to allocate funds to organisations without DGR status including Philanthropy Australia
 - Contribute seed / project based funding to (or through) Philanthropy Australia to support the coordinated development of the philanthropic sector.
- Recommendation 2* Appoint Giving and Philanthropy Ambassadors to promote philanthropy and encourage HNW and UHNW giving.
- Recommendation 3* Establish a national Registrar for Community and Charitable Purpose Organisations in accordance with the recommendations of the Productivity Commission in its Report on the Contribution of the Not For Profit (NFP) Sector¹ to:
- Make it easier for donors to identify and access information about NFP organisations
 - Improve confidence in NFP organisations' governance, accountability and performance.

The first six (6) recommendations cover actions that aim to strengthen the service system supporting the philanthropic sector (continued)

- Recommendation 4* Establish a regular forum or dialogue between the philanthropic sector and Government.
- Recommendation 5* Establish dedicated structures to improve communication between the ATO, Treasury and the philanthropic sector and encourage take up of available tax incentives and charitable giving structures by:
- Establishing a dedicated Australian Tax Office (ATO) Philanthropy Consultative Committee to improve dialogue between the ATO, Treasury and the philanthropic sector
 - Making the annual minimum distribution rate requirement associated with private and public ancillary funds a legislative rather than a regulatory requirement
 - Taking more active steps to promote available tax incentives and charitable giving structures to encourage adoption through the ATO website and communications.
- Recommendation 6¹ Encourage the development of intermediary organisations that operate to promote charitable giving to support the development and professionalisation of the philanthropic sector by:
- Introducing a DGR category covering the promotion of philanthropy or supporting the establishment of an independent special purpose fund for the promotion of philanthropy that has capacity to allocate funds to organisations without DGR status
 - Allowing expenses paid by PAF funds to non associate individuals and/or companies for research and due diligence to facilitate grant making to count towards the 5% minimum distribution requirement up to a maximum of 1%.

Note: (1) Declaration of Interest: It is noted that the author of this report, Effective Philanthropy, is an organisation that would potentially benefit from the implementation of this recommendation.

Program Recommendations

The remaining four (4) recommendations relate to program based activity that aims to increase the number of HNW and UHNW involved in giving and increase the amount of money that they give

- Recommendation 7* Contribute seed / program funding to (or through) the national peak body to support the development and implementation of a structured program of activity targeted at promoting philanthropic giving and engaging HNW and UHNW in giving activity including:
- 7.1* Strategic social marketing and promotional campaign targeted at:
 - Aspiring / Next Generation HNW, HNW and UHNW groups - to build a culture and practice of giving
 - Advisors working with HNW and UHNW groups and associated professional bodies - to get them to include the discussion of philanthropy when doing financial and estate planning with their clients
 - NFP organisations and fundraising staff and professionals - to reinforce how to ask effectively for funds and manage relationships with donors.
 - 7.2* Advisor education and training program targeted at accountants, legal and other professional advisors working with HNW and UHNW and associated professional bodies to get them to help cultivate HNW and UHNW giving.
 - 7.3* Targeted donor engagement programs that operate on a personal and peer group basis to:
 - Engage aspiring / next generation HNW in giving activity early in the income / asset accumulation cycle
 - Encourage HNW and UHNW at the low end of the giving spectrum to increase the level and / or regularity of their giving activity and move up and across the giving spectrum.

The remaining four (4) recommendations relate to program based activity that aims to increase the number of HNW and UHNW involved in giving and increase the amount of money that they give (continued)

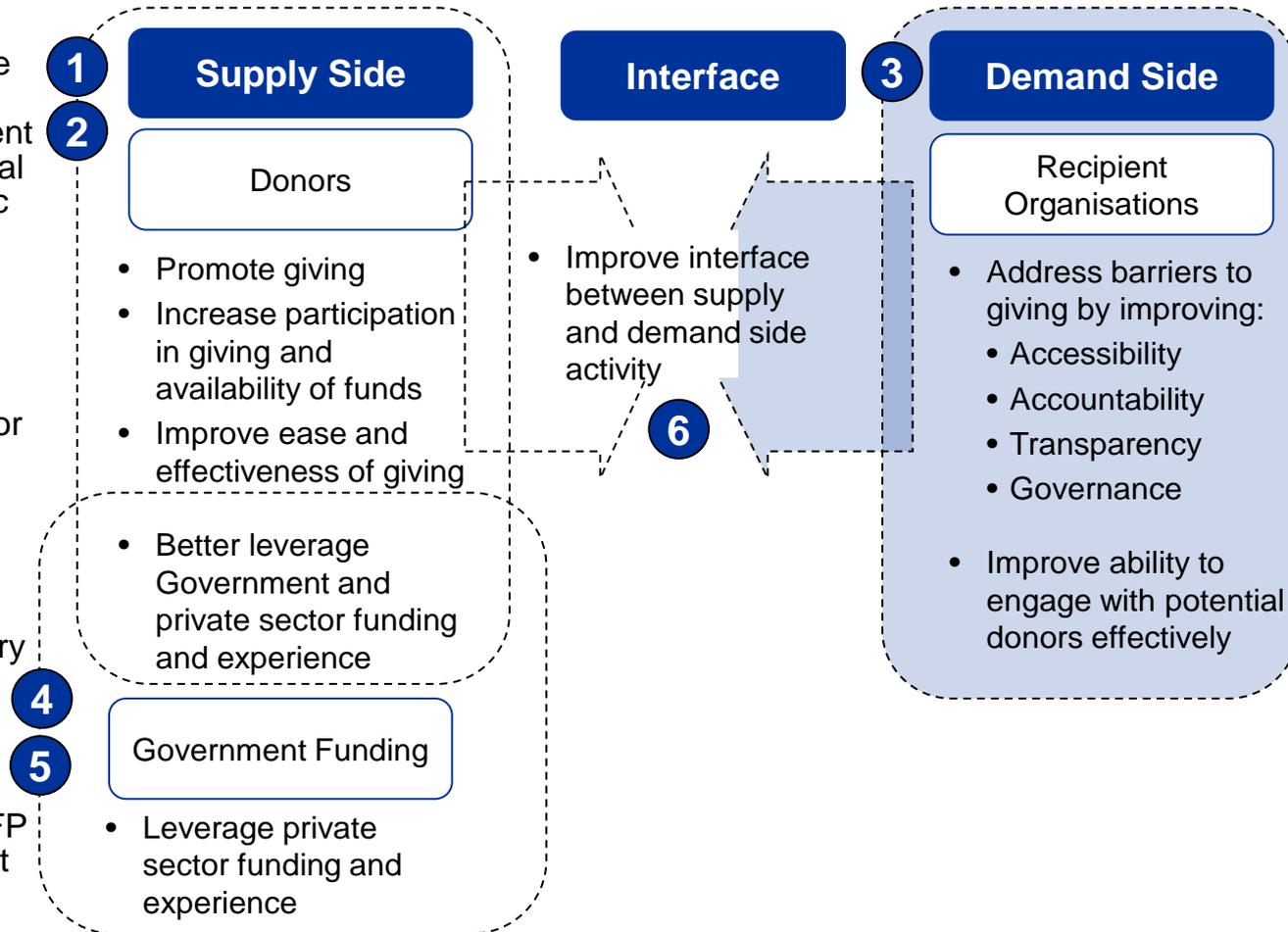
- Recommendation 7 (continued)
- 7.4* Formal and informal giving circle programs designed to provide participants with information about specific issues / areas and encourage individual and collaborative giving.
- 7.5 Research program to map philanthropic activity by issue / funding area to:
- Better understand and profile the role being played by philanthropy
 - Support the development and implementation of giving circle / collaborative giving activities
 - Facilitate cross-sector engagement between Government and the philanthropic sector.
- 7.6 Register of intermediary services that provide support to donors to set up grant making structures and give effectively.
- Recommendation 8 Utilise matching grant and / or innovation fund models to encourage philanthropic engagement in specific areas.
- Recommendation 9 Introduce a national Philanthropist of the Year Award as part of the Australia Day honours program to recognise leading philanthropic activity.
- Recommendation 10 Support the development of social investment products and markets.

It is recommended that investments be made to strengthen the service system supporting Australia's philanthropic sector

From a system perspective it is recommended that steps be taken to:

1. Strengthen the ability of the philanthropic sector to promote and cultivate philanthropic activity through the development of a strong, sustainable national peak body for the philanthropic sector
2. Appoint 3 - 4 respected philanthropists as Giving and Philanthropy Ambassadors to promote giving
3. Establish a national registrar for NFP organisations
4. Establish a regular forum / dialogue between the Philanthropic sector and Government
5. (Re) build certainty in regulatory structures
6. Encourage the provision of services to support effective grant making (e.g. through the extension of DGR status to NFP intermediary organisations that operate to promote charitable giving).

Philanthropic System Requirements





Strengthen the ability of the philanthropic sector to promote and cultivate philanthropic activity

- It is recommended that the Government strengthen the ability of the philanthropic sector to promote and cultivate giving by supporting the development of a strong, sustainable national peak body to promote and cultivate giving in Australia. In order to do that it is recommended that the Government:
 - Make provision for the sector to fund activity relating to the development of the sector by:
 - Making a special listing or providing specific naming in an act of parliament granting DGR status to Philanthropy Australia as the national peak body for the philanthropic sector on the basis that it is a not for profit organisation that operates to promote charitable giving or
 - Introducing a DGR category covering the promotion of philanthropy or
 - In the absence of being prepared to grant DGR status, then support the establishment of an independent special purpose fund for the promotion of philanthropy that has capacity to allocate funds to organisations without DGR status including Philanthropy Australia
 - Contribute seed / project based funding to (or through) Philanthropy Australia to support the coordinated development of the philanthropic sector (see Recommendation 7 for more detail).
- Philanthropy Australia currently operates as the peak association for trusts and foundations in Australia.
- While it is acknowledged that there are gaps in the service offering currently delivered by Philanthropy Australia and that the function of a peak body could theoretically be performed by a different / new organisation or by separate organisations on a State and Territory basis, it is recommended that the Government support Philanthropy Australia to continue to perform this function.
- The above recommendation is based on the benefit offered by maintaining a single national body to coordinate activity across the sector and the fact that Philanthropy Australia's existing membership network and existing service offering provide a solid base from which to grow.
- Philanthropy Australia does not currently have DGR status. Its inability to obtain DGR means that it is not able to access funding from its membership base for its activity.
- The proposed special listing, DGR category and / or special purpose fund arrangements will ensure that Philanthropy Australia can access funding to promote giving and support the development of the sector more generally.



Strengthen the ability of the philanthropic sector to promote and cultivate philanthropic activity (continued)

- The allocation of project based funding relating to the development of the philanthropic sector to or through Philanthropy Australia is proposed as a mechanism to support the coordinated delivery, evaluation and reporting of Government funded initiatives targeted at promoting philanthropic activity. (In making that recommendation it is not expected that all such project activity would be delivered directly by Philanthropy Australia; rather that it would be coordinated through it.)
- Detailed recommendations relating to the types of projects that could be funded to promote giving are provided later in this paper.
- In making the above recommendation, it is noted that Philanthropy Australia will need to address the existing gaps in its service offering; in particular it is recommended that it:
 - Review its geographical footprint (particularly in terms of establishing an office in Perth)
 - Maintain its existing advocacy function
 - Strengthen and expand its existing service offering particularly relating to:
 - Marketing and Promotion
 - Donor Engagement
 - Donor Advisory Services
 - Third Party Advisory Services
 - Networking
 - Information Services
 - Research
 - Build its organisational capability / skill base to support the delivery of those services
 - Strengthen its organisational image and profile.
- In order to maintain independence it is recommended that Philanthropy Australia avoid engaging in direct grant making activity or brokering activities aimed at linking donors with recipients.



Appoint Giving and Philanthropy Ambassadors to promote philanthropy and encourage HNW and UHNW giving

- It is recommended that the Government implement a program modelled on the Giving and Philanthropy Ambassador initiative in the UK¹ to promote philanthropy and encourage HNW and UHNW giving.
- Given the size of Australia and the differences in how philanthropy operates across the different geographies, it is recommended that the Government appoint a panel of 3 - 4 Ambassadors (with at least one from NSW, Victoria and Western Australia).
- Ambassadors would be people with strong personal reputations who give significantly as a proportion of their income and investable asset base and who are prepared to talk about their giving activity.
- There would be value in including a “Next (Younger) Generation” Ambassador in the above panel in order to connect more effectively with potential donors from that age group.
- It is recommended that:
 - The proposed positions be honorary, unpaid positions
 - A shared budget for communications (including events and publications), travel and support staff be provided through Philanthropy Australia
 - An appropriate Minister or Parliamentary Secretary be nominated to be a direct link into Government for the Giving and Philanthropy Ambassador Panel to coordinate activity and dialogue with other Government departments (if established, links should also be established with the Office for Not For Profit Engagement recommended in the recent Productivity Commission Report²).

Note (1) Office of the Third Sector., HM Government., Real Help for Communities: Volunteers, Charities and Social Enterprises., March 2009., p.22; <http://www.ambassadorforphilanthropy.com>

(2) Productivity Commission, Contribution of the Not-For-Profit Sector, Research Report, Canberra, 2010.



Appoint Giving and Philanthropy Ambassadors to promote philanthropy and encourage HNW and UHNW giving (continued)

- Active, visible leadership from well known and respected individuals can play an important role in encouraging giving¹.
- The promotion of individual activity can be undertaken in a number of different (direct and indirect) ways:
 - Formally identify / appoint well known, respected donors to act as visible role models and promote giving
 - Encourage donors to be open about their giving, to act as informal role models and encourage others to give
 - Publicise giving activity by engaging the media or others to report on giving activity and highlight giving through regular broadcast and published print media.
- In 2009 the UK Government appointed a Giving and Philanthropy Ambassador (Dame Stephanie Shirley) to support Ministers and the Office of the Third Sector in championing giving and philanthropy¹.
- The UK role is an honorary, unpaid position; it has a budget for communications (including events and publications) and a small staff and works with through the Office of the Third Sector to coordinate activity and dialogue with other Government departments.
- The position works in collaboration with the Association of Charitable Foundations and Philanthropy UK.
- Since being established the position has been used to encourage philanthropists to talk about their activity¹:
 - A dedicated *website* has been established to provide a medium through which to share philanthropist's stories
 - A series of *platform events* have been coordinated to highlight the need for giving, profile and support collaborative giving activity, support information sharing and provide a forum through which philanthropists are able to communicate with policy makers about issues affecting philanthropy.
- A private *philanthropist fellowship* (donor network) has been established that provides opportunities for philanthropists to learn and share knowledge through topical seminars, private meetings, subject briefings and access to other networking services¹.
- The office of the Giving and Philanthropy Ambassador has also commissioned *research* to understand HNW and UHNW giving levels and behaviours and used that to promote discussion about giving¹.



Establish a national Registrar for Community and Charitable Purpose Organisations

- It is recommended that the Government establish a national Registrar for Community and Charitable Purpose Organisations in accordance with the recommendations of the Productivity Commission in its Report on the Contribution of the Not For Profit Sector¹ to:
 - Make it easier for donors to identify and access information about not for profit organisations
 - Improve confidence in not for profit organisations' governance, accountability and performance.
- The above organisation should operate as a statutory corporation or independent statutory body.
- As indicated in the Productivity Commission's Report it should:
 - Assess the eligibility of not for profit organisations for commonwealth tax concession status endorsement
 - Maintain a register of endorsed organisations
 - Provide a single reporting portal for public records, corporate and financial information
 - Require endorsed organisations to submit an annual community purpose statement
 - Provide appropriate guidance in relation to governance matters
 - Investigate compliance with regulatory requirements
 - Provide complaint handling in respect of the above functions.
- In addition to the above functions the Registrar should:
 - Maintain a public website or portal modelled on systems such as Guidestar UK² that allows third party access to the register of endorsed organisations and public documents and includes user friendly search functions supporting access by organisation, purpose and geography etc.
 - Allow endorsed organisations to lodge additional documentation about their activities for public access (including audited financial documentation, organisational and program material).
- The provision of the above functions will allow (potential) donors to access detailed information on whether and how much to donate to a particular NFP organisation.

Note: (1) Productivity Commission, Contribution of the Not-For-Profit Sector, Research Report, Canberra, 2010.

(2) <http://www.guidestar.org.uk>. It is noted that the above function may be provided directly by the regulator or through an alternative, specialist entity (as is the case in the UK).



Establish a national Registrar for Community and Charitable Purpose Organisations (continued)

- The Government should also continue to support the implementation of the Standard Chart of Accounts for reporting by not for profit organisations¹.
- Information briefs should be developed and made available by the Registrar to help donors to interpret not for profit accounts and understand key differences between standard commercial and not for profit performance indicators.



Establish a regular forum or dialogue between the philanthropic sector and Government to encourage collaboration

- It is recommended that the Government work to improve dialogue and communication between Government and the philanthropic sector by:
 - Developing channels of communication between Philanthropy Australia (as the peak body for the philanthropic sector) and the Giving and Philanthropy Ambassador panel on the one hand and Government departments on the other to encourage better cross-sector exchange and collaboration (as per Recommendation 2)
 - Co-sponsoring a regular (annual / bi-annual) dialogue / forum between the Government and interested representatives from the Philanthropic Sector.
- The above forum should be structured to provide an opportunity for high level engagement between senior Government Ministers, department representatives and philanthropists.
- It is recommended that the forum be co-hosted by the Ambassador Panel and the Prime Minister and be run with a specific issue-based focus with a view to encouraging discussion around how philanthropy and Government can work together to address areas of need.
- The forum may be used as an opportunity to encourage collaborative / matched funding initiatives (such as those discussed in Recommendation 8).
- The above initiatives would clearly recognise the contribution that philanthropy makes to the Australian community and would help to reframe the relationship between Government and philanthropy from one of compliance to one of collaboration (see also Recommendation 5).

Recommendation 5*

Establish dedicated structures to improve communication between the ATO, Treasury and the philanthropic sector and encourage take up of available tax incentives and charitable giving structures

- It is recommended that the Government:
 - Establish a dedicated Australian Tax Office (ATO) Philanthropy Consultative Committee to improve dialogue between the ATO, Treasury and the philanthropic sector
 - Make the annual minimum distribution rate requirement associated with private and public ancillary funds a legislative rather than a regulatory requirement
 - Take more active steps to promote available tax incentives and charitable giving structures to encourage adoption through the ATO website and communications.
- It is strongly recommended that the above Committee be established prior to the conduct of the upcoming review of public ancillary funds.
- Consultations conducted as part of this research indicate that although the ultimate outcomes of the recent PPF review are generally seen as being positive, the approach that the Government took to the recent PPF review - both in terms of the process that it followed and the way that it communicated with the sector - has had unintended negative consequences.
- The failure to consult prior to the release of the draft changes to PPF arrangements:
 - Reinforced a view that Government does not appropriately value the role played by philanthropy
 - Created uncertainty around the stability of legal and taxation structures
 - Led to a hesitancy on the part of some HNW and UHNW to establish PAFs on the basis that rules may be changed in the future.
- While not denying that it is the role of Government to ensure that regulatory frameworks are designed and implemented effectively, the above feedback reinforces the need to manage the relationship between Government and philanthropy carefully in order to encourage constructive engagement and collaboration between the two sectors.
- There is a clear need on the part of the Government to take active steps to reassure the sector that PAF arrangements will not be subject to undue change and help rebuild market certainty around the PAF structure.



Support the development and professionalisation of the philanthropic sector

- It is recommended that the Government encourage the development of intermediary organisations that operate to promote charitable giving to support the development and professionalisation of the philanthropic sector by¹:
 - Introducing a DGR category covering the promotion of philanthropy or supporting the establishment of an independent special purpose fund for the promotion of philanthropy that has capacity to allocate funds to organisations without DGR status
 - Allowing expenses paid by PAF funds to non associate individuals and/or companies for research and due diligence to facilitate grant making to count towards the 5% minimum distribution requirement up to a maximum of 1%.
- The consultations clearly identify that the propensity to give is influenced by the ability to access information and support in relation to the set up of grant making structures and the actual conduct of grant making activity.
- Examples of the above services include services that:
 - Help donors to set up and run grant making structures and identify and vet grant recipients
 - Provide education and training for donors to inform / improve grant making activity
 - Provide research / best practice information to inform grant making activity
 - Coordinate peer networking to promote giving and facilitate collaborative grant making.
- The emergence of intermediary services of this type has played a significant role in the professionalisation of philanthropic markets overseas.
- In the absence of DGR status, private and public ancillary funds in Australia are not able to pay for the above intermediary services out of their funds beyond necessary administration expenses.
- In order to support the professionalisation and expansion of the philanthropic sector in Australia, it is recommended that the Government make provision to allow donors to utilise funds to pay for intermediary services through the extension of DGR status to NFP intermediary organisations that operate to promote charitable giving or through the development of a special purpose (Type 1) fund for that purpose.

Note: (1) Declaration of Interest: It is noted that the author of this report, Effective Philanthropy, is an organisation that would potentially benefit from the implementation of this recommendation.

It is also recommended that targeted project based funding be made available to promote Aspirational HNW, HNW and UHNW giving

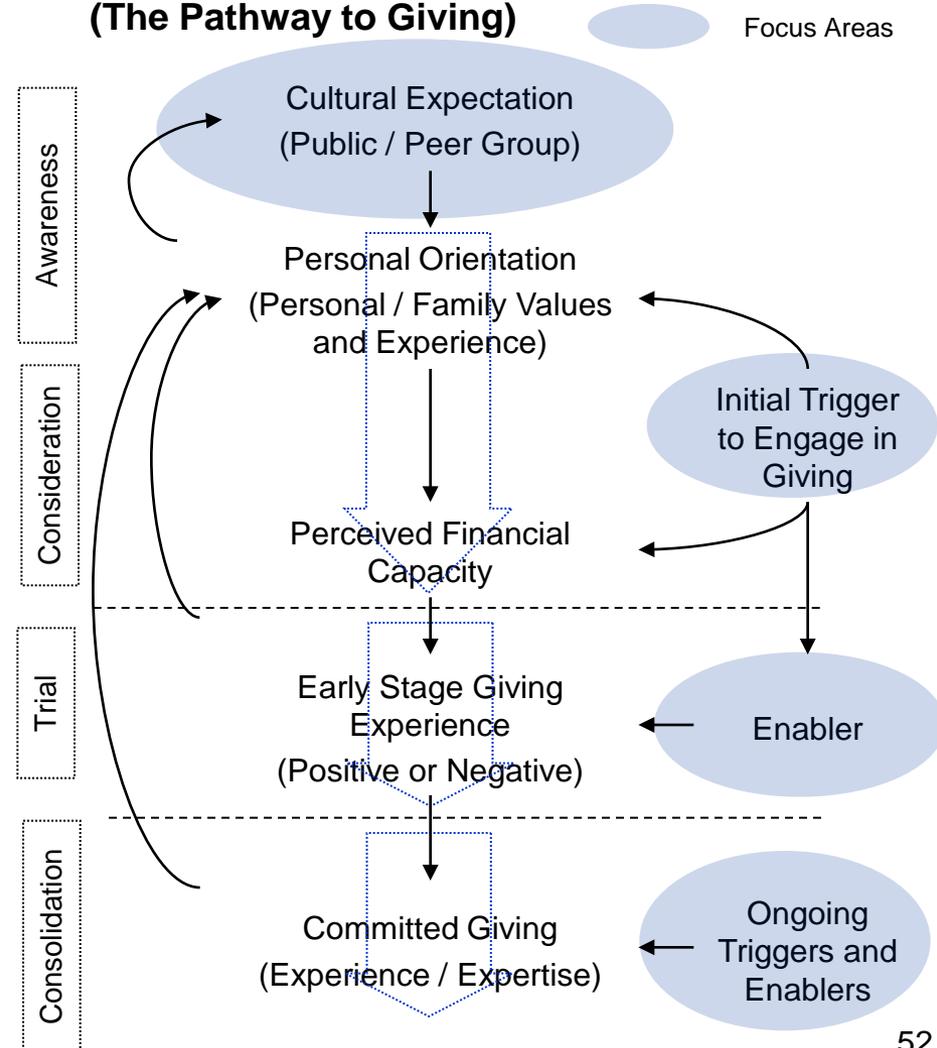
It is recommended that a range of program based initiatives be supported to promote giving by:

- Building a stronger cultural expectation around giving
- Proactively engaging potential HNW and UHNW donors from an early stage in the income / asset accumulation cycle
- Better enabling and supporting donors to give
- Encouraging them to build on their giving activity over time and
- Helping them to improve the effectiveness of their giving activity.

The above programs should be targeted at:

- Individuals who have entered the workforce and are earning at a level that classifies them as Aspiring / Next Generation HNW and
- Existing HNW and UHNW.

Factors Influencing Propensity to Give (The Pathway to Giving)





Contribute to program funding to promote philanthropic giving and engaging HNW and UHNW in giving activity

It is recommended that the Government contribute seed / program funding to (or through) Philanthropy Australia as the national peak body for philanthropy to support the development and implementation of a structured program of activity targeted at promoting philanthropic giving and engaging HNW and UHNW in giving activity. It is recommended that the above program include:

7.1 A **strategic social marketing and promotional campaign*** targeted at Aspiring / Next Generation HNW, HNW and UHNW groups that seeks to:

- Raise the profile and benefits of giving from the perspective of the giver
- Promote the role of philanthropy in addressing socio-economic and environmental issues and promoting cultural and civic participation
- Profile not for profit organisations and projects that have benefited from philanthropy to reinforce the competency of those organisations, their ability to manage money well and the results that they deliver.

It is recommended that the above campaign be run as a covert rather than an overt marketing program, focusing on the regular use of the news media and written press, social media and event based activities.

Ancillary campaigns should also be run targeting:

- Advisors working with HNW and UHNW groups and associated professional bodies to get them to include the discussion of philanthropy when doing financial and estate planning with their clients
- NFP and fundraising staff and professionals to reinforce how to ask for funds and manage relationships with donors effectively.



Contribute to program funding to promote philanthropic giving and engaging HNW and UHNW in giving activity (continued)

- Social marketing campaigns targeting increased giving have been undertaken in a number of countries including the Give Five campaign in the USA (1987), the Imagine campaign in Canada (1988) and the Giving Campaign in the UK (2001 – 2004)¹.
- By their nature, social marketing campaigns are aimed at trying to change values and behaviours and so take time to be effective.
- Although formal evaluation of such programs has been limited, anecdotal evidence suggests that they can be effective to raise the profile of giving and encourage giving activity².
- Available research indicates that campaigns are more likely to be successful if they are²:
 - Clearly defined - they have a clear / well defined objective
 - Long term - they operate over a multi-year horizon (3 - 5 years)
 - Targeted - messages are tailored to meet the needs of different target groups
 - Integrated - they use mixed media and are integrated with other strategies that engage donors and support giving activity
 - Action oriented - they link the promotion of giving to tangible actions.

7.2 An **advisor education and training program**^{3*} targeted at accountants, legal and other professional advisors working with HNW and UHNW and associated professional bodies to make sure that advisors:

- Understand the giving structures that are available to their clients and the taxation benefits associated with them
- Have access to the tools and services to help them make their clients aware of the above structures and benefits and help them to incorporate giving into their financial and estate management plans.

Note: (1) Johnson, Johnson and Kingman., Promoting Philanthropy: Global Challenges and Approaches., Bertelsmann Stiftung., December 2004., pp.18 -19.; See Appendix 3 for details.

(2) Ibid., p.20.

(3) This program should be linked to the social marketing campaign in Recommendation 7.1.



Contribute to program funding to promote philanthropic giving and engaging HNW and UHNW in giving activity (continued)

7.3 Targeted **donor engagement programs*** that operate on a personal and peer group basis to:

- Engage aspiring / next generation HNW in giving activity early in the income / asset accumulation cycle
- Encourage HNW and UHNW at the low end of the giving spectrum to increase the level and / or regularity of their giving activity and move up and across the giving spectrum

including (for example):

- Industry peer group and workplace based programs (that may link into existing employer giving and volunteering schemes) designed to build awareness of the need for and the role of philanthropy, educate participants about how they can give, provide / expand opportunities for individuals to get personal experience / exposure to NFP organisations and causes and participate in individual and peer based giving activities
- Guest speaker programs that profile professional role models and promote the link between professional success and philanthropy
- Mentor programs / groups that link early stage donors with more experienced grant makers.

The above programs should be structured to draw on the experience, knowledge, connections and interests of the target groups involved and provide tangible opportunities for individuals to be involved with NFP groups and giving activities.

Focus should be placed on developing program models that are capable of replication across different workplaces .



Contribute to program funding to promote philanthropic giving and engaging HNW and UHNW in giving activity (continued)

- 7.4 Formal and informal **giving circle programs*** designed to provide participants with information about specific issues / areas and encourage individual and collaborative giving. In particular, it is recommended that Philanthropy Australia (as the national peak body):
- Run an annual, issue-based giving circle program that provides a forum to encourage and profile giving activity. Giving circles would be run on a State basis around specific issue area(s) and be hosted by a local philanthropist (champion). If appropriate, the outcomes of State based forums could be shared at a national forum.
 - Philanthropy Australia actively encourage individual philanthropists to coordinate private giving circles as a way of engaging new donors and encouraging giving in areas of specific interest to them. Philanthropy Australia would support those groups by providing administrative support and access to resources and good practice information.
 - Research and practice in Australia and overseas indicates that individual donors are increasingly creating and seeking opportunities to engage in peer and issue based donor networks¹.
 - The above practice is reflected in Australia through the recent establishment of the Women's Donor Network which has been established to promote awareness of issues relating to, and encourage investment in, programs relating to women and girls².
 - Donor networks / giving circles can be used to promote awareness of an issue, share information and encourage individual and collaborative giving.
 - They can operate as formal, ongoing donor networks, or as ad hoc coalitions around specific issue areas / programs.
 - They work best where they are structured around a common peer group and / or issue area and are run in response to local community interests and needs.
 - It is recommended that proactive steps be taken to encourage the establishment of donor networks in Australia.



Contribute to program funding to promote philanthropic giving and engaging HNW and UHNW in giving activity (continued)

- 7.5 A **research program** to map philanthropic activity by issue / funding area. This could be used to:
- Better understand and profile the role being played by philanthropy (size and contribution)
 - Support the development and implementation of giving circle / collaborative giving activities
 - Facilitate cross-sector engagement between Government and the philanthropic sector¹.
- 7.6 Establish and maintain a **register of intermediary services** that provide support to donors to set up grant making structures and to give effectively.

Note: (1) The above mapping could be based on voluntary donor disclosure and / or analysis of registered funds Statement of Purpose and other publicly available documentation.



Utilise matching grant and / or innovation fund models to encourage philanthropic engagement in specific areas

- Although consultations consistently indicate that there is a general lack of interest in contributing to a national foundation or pooled funding model¹, the Government may be able to encourage giving in specific areas and provide a mechanism through which to profile philanthropic activity by periodically providing limited pools of Government funding that are made available to match philanthropic grants in particular areas.
- In order to be effective it is recommended that the above matched grant funding:
 - Focus on defined issues / areas of need where there is a clear need for funding
 - Provide a pool of funds that is open for a specified period of time that can be used to match philanthropic contributions up to a defined limit
 - Allocate grants to NFP organisations applying for funds delivering programs in the specified issue area that are able to demonstrate that they have received philanthropic funding above a minimum threshold and meet appropriate organisational and program due diligence criteria.
- A model such as that applied by AusIndustry to support projects that enhance the research and development and early stage commercialisation of innovative technologies (e.g. the Green Car Innovation Fund) could also be used to support the translation of innovative projects that have received seed funding through philanthropy into mainstream delivery.

Note: (1) Consultations indicated that philanthropists were not interested in participating in collaborative funding arrangements with Government that inhibited their ability to control where and how philanthropic monies were spent or were likely to impose constraints on how allocated funds were expended by recipient organisations.



Introduce a national Philanthropist of the Year Award as part of the Australia Day honours program to recognise leading philanthropic activity

- It is recommended that the Government continue to recognise philanthropists in the allocation of Australia Day honours.
- As part of that process it is recommended that the Government establish an Australian Philanthropist of the Year award to profile and encourage philanthropic giving.
- It is recommended that the above award be based on nominations by recipient NFP organisations and that the selection process operate in a similar manner to that applied to the Australian of the Year Award.
- In allocating the award consideration should be given to:
 - The level of financial contribution made by the donor (ideally based on participation rate rather than just absolute value)
 - The leadership role played by the donor in the philanthropic sector and
 - The extent to which the donor has encouraged others to contribute to the community.
- Given the fact that some donors prefer to avoid public profile, consent would need to be obtained from nominated individuals for them to be considered for the award.
- Like awards have been used to build the profile of philanthropy and promote giving in the UK and the USA (e.g. the Beacon Awards in the UK)¹.



Support the development of social investment products and markets

- It is recommended that the Government support the development of social investment products and markets to increase the pool of capital available for social and environmental activity.
- In particular it is recommended that the Government explore options to make better use of the corpus of philanthropic foundations and trusts by:
 - Supporting the development of social investment products and markets to increase the pool of capital available for social and environmental activity
 - Reviewing trust and taxation requirements to allow existing foundations to leverage corpus through mission related investments (MRI) and program related investments (PRI).



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Project Approach

1 June ——— Wk 2 ——— Wk 4 ——— Wk 6 ——— 12 July

Conduct Literature Review

- Conduct literature review:
 - Trends in HNW and UHNW giving in Australia, USA and UK
 - Incentives and disincentives (barriers) to HNW and UHNW giving
 - Foundation models / strategies used to promote HNW and UHNW giving

Identify & Assess Alternative Models / Strategies

- Identify alternative foundation models / strategies to promote HNW and UHNW giving
- Assess alternative models
- Identify key implementation considerations / requirements

Prepare Report

- Prepare draft report
- Submit draft to Advisory Group for comment
- Review Advisory Group feedback
- Finalise and submit report

Conduct Stakeholder Interviews & Round Tables

- Prepare interview / roundtable discussion guides
- Schedule and conduct 1:1 and small group interviews including:
 - HNW and UHNW
 - Financial advisors
 - Fundraisers
 - Community Foundations / Venture Philanthropy Funds / Community Development Financial Institutions (CDFIs)
 - Researchers
- Schedule and conduct round tables



Summary of Factors Influencing Propensity to Give and Giving Behaviour Identified in Consultations

Factors Influencing Propensity to Give

- No perceived role / responsibility to give
 - Believe that need is being met through or is the responsibility of Government / welfare system
- Not aware of the personal and / or financial benefits associated with giving
- No perceived financial capacity to give
 - Not comfortable putting funds permanently “out of reach” (access and liquidity considerations)
 - Believe need to preserve their capital base for future needs of self / family / children
- Not been asked (appropriately) to give
- Have had a negative experience of giving or have not been actively encouraged / supported to move “up” the giving spectrum
- Not aware of how to go about giving
 - Not aware of the structures / services available to support giving
 - Not aware of how to give or whom to give to
- Lack confidence in the ability of not for profit organisations (or Government) to spend money well

Factors Influencing Giving Behaviour

- Desire to control how and where money is spent
- Desire to leverage investment to attract other funding
- Hesitancy to be tied to “restrictive” funding conditions (often associated with Government involvement)
- Intention to augment not duplicate or substitute for Government funding
- Preferred issue / focus area
- Funding approach
- Desire for personal profile / recognition
- Interest in being actively engaged in grant making process or with recipient organisations
- Bias towards grant making versus impact investing



Example Social Marketing Campaigns

Country	Campaign	Description
USA	Give Five Campaign (1987)	<ul style="list-style-type: none"> • Established by an umbrella NFP group • Targeted individuals • Set a benchmark of 5% of earnings and 5 hours of volunteer time each week • Used multiple media channels
Canada	Imagine Campaign (1988)	<ul style="list-style-type: none"> • Established by the Canadian Centre for Philanthropy and championed by a group of business leaders • Targeted both individuals and corporates • Set a benchmark 1% of pre-tax profits for corporate giving and encouraged increased giving and volunteering among the general public • Used mass media messages and targeted material
UK	Giving Campaign (2001 – 2004)	<ul style="list-style-type: none"> • Established by the UK Government • Targeted specific audiences including HNW and UHNW, their advisors, employees and employers and young people • Used multiple media channels and promoted the use of a package of new tax incentives for giving