We are pleased to again provide our annual update of giving trends in Australia. Relying on a variety of sources, we have compiled a picture of the current direction for giving. The story is becoming a tale of two taxpayers. One enjoys philanthropy and is encouraged to continue to grow their giving while the other, for a variety of reasons, doesn’t give. Unfortunately, the latter represents the majority and has been growing. It is an observation mirrored by the results of two relatively new forms of giving, both a little over a decade old. The broader workplace giving program started well but has only seen slow growth for most of its life, while Private Ancillary Funds (PAFs) continue their strong growth in donations.

We hope you will enjoy reading this report, whether from a recipient or donor perspective and would encourage further discussion on any aspects with the JBWere Philanthropic Services team.

**Highlights**

- Giving has remained flat since the GFC and despite some signs of recovery in the past year, mixed signals suggest further stagnation to June 2014.
- The long term trend in the amount given per donor has been very positive with an average annual growth of 8.8% across Australia while inflation averaged 4.6%.
- However this strong growth in average donation levels has been offset by a decline in the proportion of taxpayers donating in recent years.
- This counterbalance has still seen tax deductible donations rise from $59million to $2.4billion since 1979, an average growth rate of 11.7% over the 33 years.
- The level of volatility in annual giving has increased over the last decade.
- The number of public $1million plus gifts continues to rise with new gifts also creating or enhancing substantial foundations and cause-specific endowments.
- Gifts and donations represent only 7% of total deductions in tax returns.
- While donations represent 0.3% of overall taxable income, for those who do donate, the average is 0.9% of income.
- More females give and up to age 75 give a higher percentage of income.
- But as males have higher incomes, they donate more dollars.
- The proportion of income given and donation size rises substantially from age 60.
- Workplace giving is only attracting 4.5% of employees at companies offering the program.
- While PAFs, which commenced around the same time as workplace giving, have hit record distributions and corpus and now represent around half of total trust and foundation giving.
- The number of charities continues to rise as does the competition for funding.
- In 2013, charities received total income of $107billion, including 6.7% from donations and a further 1.3% from sponsorships.
- Religious causes led donations with $1.8billion followed by social services at $1.2billion, while culture and recreation led sponsorships with $672 million.
The GFC induced plateau in giving continues with mixed signs still into 2014

While the average size of donation rose by $33 in 2012, a fall of 257,520 in the number of donors left total giving up only slightly on the previous year and relatively flat since the peak of 2008 (chart 1). Excluding donations into PAFs, giving was marginally down. It is at least a relief that donations have held onto the gains seen in 2011 after the unprecedented two year fall. However, this contrasts to giving in the USA which has seen consistent growth totalling around 20% to December 2013, since their recent low in 2009 (Source Giving USA). The other feature which has been evident since 2005 has been the increased volatility in the level of annual giving, making planning for recipient organisations more challenging.

Source: ATO, JBWere Philanthropic Services

**Chart 1 – Annual Tax Deductible Donations in Australia**

- 1 - First year of PAFs
- 2 - Rise in donations due to Asian Tsunami
- 3 - Uncertainty over new PAF requirements and GFC

**Chart 2 – Proportion giving and average donations 1979-2012**

Source: ATO, JBWere Philanthropic Services
In better news and with a longer term perspective, we've seen giving rise substantially since data collection began in 1979. Donations have risen from $59million to $2.4billion, an average annual increase of 11.7% over the 33 years. This was largely due to the increase in annual gift size from $31 to $494 per donor, an annual rise of 8.8% against an average inflation rate of 4.6%. An increasing population of taxpayers (up 1.8% annually) and donors also helped, however the proportion giving has remained relatively flat after peaking in 1983 (chart 2, note the ATO didn’t collect data on tax deductible donations from 1989-92).

The detailed ATO giving statistics support the individual trends seen by selected charity annual appeal results (chart 3), where the strong growth enjoyed up to 2008 has subsided to low single digit results since. These results also suggest official ATO data for 2013 and 2014 will remain subdued despite a recovery in financial markets from mid 2012. While many appeal results are not yet available for 2014, those that have reported suggest lower growth rates than 2013 with some even showing a fall in support.

More promisingly, the NAB Charitable Giving Index began to record an increase in annual growth rates from a low of 3.1% in mid 2013, reaching its highest recorded index level since it began in 2010 and an annual growth rate of 8.1% by February 2014. As the analysis captures over 2.5million customers and around 600 charities through various electronic payment forms, it provides a comprehensive and timely picture of recent donor activity. This improvement from mid 2013 was seen across all age groups, particularly 55-64 years and was most prominent for Humanitarian services organisations (eg World Vision) after a period of decline. Medical research saw the best and most steady annual growth of around 10% over the past two years. The next survey results however will be important as they will include the period covering the recent Federal budget which caused a significant fall in the Westpac Melbourne Institute Index of Consumer Sentiment. After peaking in November 2013, it fell 7% in May after the budget and in July 2014 remains 14% below that peak. Given the importance of the June month to many giving decisions, it is questionable as to how much of the recovery seen in the NAB Index will be maintained.
Despite the plateauing in total giving levels, there has been a continued stream of large and public gifts made over the past two years, particularly to education and medical research causes, totalling around $300 million. In addition, a number of endowments and foundations have been established or added to in the last 12 months most notably following the death of Paul Ramsay who bequeathed a substantial part of his $3 billion estate to a charitable fund and in the corporate world where Westpac has established a $100 million education foundation. Furthermore in a mix of the two, the Crown Resorts Foundation and the Packer family will donate $100 million each to a new National Philanthropic Fund for arts and indigenous education.

The important factor has been the size of the gifts rather than the number

As highlighted earlier, the long term trend in the amount given per donor has been very positive. Data has been available by State since 1996 and shows an average annual growth rate of 7.1% across Australia (chart 4). The influence of large donations into PAFs in 2008, particularly in New South Wales has provided the only real volatility in the trend. The growth rates have been reasonably close between States over this period led by Western Australia at 8.3% which passed Victoria for second place in 2012, while Queensland trailed at 6.3%. It is interesting that the two resource rich States would be at either end of the range, but with inflation averaging only 2.6% over this period, all States have recorded impressive improvements in giving per donor. The problem in growing giving is not the amount donors are giving.
The number of donors has also risen in each State over this 16 year period (chart 5) however the rate of increase has varied dramatically. Leading has been Queensland with a 62% rise in donors, aided by a 44% rise in taxpayers, while South Australia has only seen a 12% rise in donors hampered by an only 16% rise in taxpayers. More concerning was the fall in all States in 2012.
We examined earlier the long term flat level in the proportion of taxpayers making donations, but between the States there have been significant changes. In terms of donor numbers we saw the large difference in trend between Queensland and South Australia however they had almost identical giving participation rates by 2012. The difference was that in 1997, South Australia led all States in donor participation when Queensland was the weakest (chart 6).

Again, the Asian tsunami in 2005 is the dominant feature for donor participation closely followed by the Victorian bushfires in 2009 and Queensland floods in 2011. The overall increase in volatility in the number of donors is suggesting that philanthropy is becoming more of a discretionary annual choice, rather than just a decision of how much to donate.

Chart 7 – Proportion of Taxpayers making donations in Australia by income level

In last year’s report we lamented the flat level of participation in giving within higher tax brackets. Unfortunately, 2012 saw a fall in this rate across all tax brackets, with those between $50,000 and $1 million recording their lowest level since records became available in 2000 (chart 7). Although this has been consistent across all States and tax brackets, it is interesting to contrast it to the continued rise in amounts given per donor. While overall donations represent 0.33% of overall taxable income, for those who do donate, an average of 0.94% of income is given. Those who are giving are doing so in an increasingly generous way, but the proportion choosing this path is not encouraging and the main reason we see a slight increase in the overall population’s participation rates, even with a fall inside each tax bracket, is bracket creep as wages rise in our prosperous nation.

Table 1 – Workplace Giving in Australia 2010-2012

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees using workplace giving programs</td>
<td>101,204</td>
<td>157,588</td>
<td>132,885</td>
</tr>
<tr>
<td>Employees of workplaces with workplace giving programs</td>
<td>2,504,598</td>
<td>3,333,580</td>
<td>2,958,090</td>
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<tr>
<td>Donations ($m)</td>
<td>$23</td>
<td>$33</td>
<td>$40</td>
</tr>
<tr>
<td>Employees using workplace giving when available</td>
<td>4.0%</td>
<td>4.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Average donation per donor through workplace giving</td>
<td>$227</td>
<td>$209</td>
<td>$301</td>
</tr>
</tbody>
</table>

Source: ATO, JBWere Philanthropic Services
While we do need to consider that other forms of Deductible Gift Recipient (DGR) giving, not captured by the ATO in annual tax deductible donations, may explain this concerning fall in donor participation, the numbers do not support this explanation. The largest of these other forms of giving, by number of donors, has been workplace giving which was enabled in July 2002 through a Commonwealth tax ruling whereby employees could receive immediate tax deductions for charitable donations from their pre-tax pay and so not need to claim in tax returns (table 1). The program grew fast to have an estimated 94,000 donors giving $18m in 2004 but has been slow to grow since. While we see a significant number of donors using workplace giving, it still only represents 4.5% of employees of companies offering the program. Additionally, since their average donation is $301, below the national average it suggests these donors also give outside the program and are captured in ATO data as donors. Surveys conducted by Australian Charities Fund also support this assumption.

The largest of these other forms of giving by size of donations, has been PAFs, which currently total around 1,240. Many of these add further funds to the PAF corpus each year and would then be included in ATO donor numbers. However, even if we assumed that all workplace giving donors and all PAF donors now did all of their giving through these structures and didn’t claim in tax returns, including them in donor participation rates would only lift totals by 1.1% to 36.7% in 2012, not enough to alter the long term trends.

Prioritising tax deduction claims and changing demographics offer potential upside

It is interesting to examine the scale of the items claimed as deductions in annual tax returns (chart 8). Gifts and donations represent 6.9% of all deductions, slightly less than the cost of managing tax affairs.

![Chart 8 – Deductions claimed against income in 2012](image-url)
There is a substantial difference in giving related to both age and sex. We found a greater proportion of females donate across all age brackets with an average of 37.2% participation compared to males at 34.2% (chart 9). We also saw that females donate a greater percentage of income across all age brackets up to 75 years with an average of 0.37% compared to males at 0.31%. Also, it isn’t until age 60 and above that averages reach these levels. It should be noted that the percentage of income includes all taxpayers. If we assume donors have similar incomes to non donors within age, sex and income brackets, then female givers donate 1.00% of incomes compared to males at 0.91% for those who are donors.
However, males earn a higher average income in all age brackets and this translates to a greater amount being donated at each age level (chart 10). It is also interesting to note the significant increase in average donation size after age 60, despite income levels falling. This is due to a substantial jump in the proportion of income donated, presumably due to falling demands on income at this stage of life. With an ageing population and the “baby boomer hump” coming through Australia’s demographic landscape, this offers some future hope for improvements in levels of philanthropy.

**Foundation giving continues to grow**

![Chart 11 – Annual Donations into PAFs and equity markets](chart.png)

Donations continue to be made to both existing and newly established PAFs and the correlation with financial markets remains strong. New donations reached $354million in 2012, the highest level seen since the GFC (chart 11). With gains in financial markets in 2013 and 2014 plus a jump in new PAFs established in 2014, further increases in donations are likely. The total corpus of PAFs also reached a record of $2.9billion at June 2012 which suggests a value at June 2014 of around $4billion for the 1,246 PAFs now operating. This would see the average PAF with current assets of just over $3million.
More impressively, distributions from PAFs reached a record $252 million in 2012, continuing the strong upwards trajectory of this relatively new giving vehicle and taking the cumulative total to $1.24 billion by June 2014 (chart 12). Welfare continued to be the best supported cause receiving 28% of distributions in 2012 while health and research saw the strongest gains to each receive 13% of distributions. Since establishment, PAFs have provided the greatest support to welfare with 29% of total distributions, followed by culture at 13% and education at 10%.

As PAFs are the only category of charitable foundation where financials are collected and published by the ATO (public ancillary fund data was collected for the first time in 2012, but not published), it has been difficult to estimate the overall size of trust and foundation giving in Australia. However recent ABS data suggested that philanthropic trusts and foundations donated $474 million in 2013 to non-profit institutions (including $70 million to religion which PAFs can't support due to non DGR status). This would suggest that PAFs are now around the same distribution size as other charitable foundation vehicles.
The scale of the charity sector and choice offered to donors can lead to paralysis

Chart 13 – Number of Tax Concession Charities by main charitable purpose

Source: ATO, JBWere Philanthropic Services

The number of tax concession charities continues to grow across all sectors with a further 1,451 added in 2012 taking the total to 57,730 with the largest increase coming in education (chart 13). Interestingly, a small fall was seen for the first time in the number of DGRs, particularly among public benevolent institutions, while health promotion charities had the largest increase.

This overall increase in charity numbers has also led to a steady rise in the size and strength of fundraising efforts across the sector. How much of this effort is about expanding the pie, rather than just redistributing it remains an interesting question. Certainly, static rates of donor participation point to the latter.

Chart 14 – Income sources for non-profit institutions in 2013

Source: ABS, JBWere Philanthropic Services
The latest ABS report into the Non-Profit Institutions (NPIs) Satellite Accounts for 2012-13 provides a valuable insight into their overall sources of income (chart 14) and is a welcome update following the previous 2006-07 version. Total income for the group has risen from $33 billion in 2000 and $76 billion in 2007 to $107 billion in 2013, an annual rise of 5.9% over the last six years for the currently 56,894 NPIs. Government continues to be the dominant funder of the sector providing 38% of income closely followed by income from services at 35% (some of which is also provided by Government on a volume basis) and sales of goods at 5.6%. Donations including other fundraising provide a further 6.7% of total income. Sponsorships represent 1.3% of total income with half of this in culture and recreation organisations. Income from investments has fallen from 3.4% to 2.2% of total income, mostly due to a near halving in interest rates over the six years.

With Government providing the majority of funding for the sector, there are challenges in its ability to grow further from this source. Additionally with regard to donations, it provides a possible dilemma for potential donors who ask “who should fund this cause”, or assume “they get all they need from Government”. As an example adding to this donor dilemma are issues such as the recent establishment by Government of the Medical Research Future Fund expected to reach $20 billion by 2020 and the flood levy applied to individuals for the 2012 year. While these will provide a much needed boost to medical research and fund past unexpected disaster costs, it potentially adds to false perceptions that funding for the causes are already adequate and questions of “where does my relatively small donation fit into the bigger picture”. The ability of organisations and overall causes to articulate and co-ordinate their message to donors is becoming increasingly important and challenging.

[Chart 15 – Income from donations and sponsorships in 2013]

Examining the quantum of income from donations and sponsorships shows the large difference in size and share between various causes (chart 15). The average organisation receives $127,131 annually in donations and $24,273 in sponsorships although this varies widely across causes. The donations from individuals (including bequests) average $70,183 per organisation. Religion still dominates in terms of donation income, despite its lack of DGR status. Giving USA reported religion having received 31.5% of 2013 donations, similar to the Australian share after adjusting for a consistent cohort of causes. However, per organisation, hospitals lead in combined donations and sponsorships with an average of $536,364 (44% from individuals), while culture and recreation receive the least at $94,218 (62% from sponsorships).

In Conclusion

Philanthropy has come a long way in Australia since 1979 and even in the last decade we have seen dramatic changes. The changes necessary to broaden the appeal of giving have gained pace, particularly with the improved ease of giving through technology, simplified structured giving vehicles and the flood of major, public gifts in recent years. The increased use of endowments to fund future activity is only in its infancy, particularly among charities themselves. More needs to be done, including perhaps some co-ordinated activity between recipient charities which simplifies giving decisions rather than just adding to the widening choice available. As the need for further revenue in the sector grows we must start to look at new sources such as impact investing while still making the case to existing sources such as Government and philanthropy of the returns and benefits provided by their investments.
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