

ANTONIA RUFFELL, CEO, AUSTRALIAN PHILANTHROPIC SERVICES

# Philanthropy:

## A growth area for advice



With growing demand from high-net-worth clients for philanthropic advice, advisers have an opportunity to deepen client relationships by helping them streamline their giving.

Many high-net-worth clients already give to the community for causes that are personally important to them, however, a growing number are interested in taking a more strategic approach to their giving. Instead of making donations to multiple charities, they want more control, and to know their donations are making a real impact. Advisers can help clients streamline their giving and enjoy greater tax advantages by establishing a more permanent structure, most commonly a Private Ancillary Fund (PAF).

There are now more than 1,000 PAFs in Australia, with total assets of \$2.27 billion, of which \$197 million is distributed to charities each year. As the numbers of PAFs increase, so does demand for financial advice in this space.

### WHY CLIENTS ARE INTERESTED IN PAFs

A PAF is a simple, efficient and cost-effective vehicle that helps a client take a more planned approach to their giving. Put simply, the client donates capital into their PAF and gets a tax deduction for the donation. The capital is invested, and a minimum of 5 per cent of the value of the PAF assets is distributed as grants to charities each year.

With the right advice, PAFs are simple to establish and administer, provide a tax-effective strategic solution to your client's grantmaking, and offer many benefits and rewards.

These include:

- » Giving while living — by establishing something in their lifetime, clients can see the benefits of giving first-hand and, if they choose, be directly involved with the causes they support. ►

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- » *A family legacy* — giving through a PAF is a popular way to other family members. It can increase children's social awareness and help to inspire future generations.
- » *Taxation benefits* — donations are tax deductible. The funds in the PAF are tax exempt and franking

credits are refunded, so the client's philanthropic dollar goes much further.

- » *Control and flexibility* — PAFs break the link between the timing of the tax deduction and the timing of giving. Individuals can take the tax deduction now and decide where to distribute the money over the coming years.

#### **BENEFITS TO ADVISERS**

Financial advisers also benefit from being associated with the philanthropic journey of an individual or a family. As in America and Europe, many wealthy Australian individuals are beginning to take their philanthropy as seriously as their businesses, and the growing profile of philanthropy in Australia presents exciting opportunities for many advisers.

These include:

- » *Deeper relationships* — it gives you the chance to deepen and broaden the relationship between you and your client, and often your client's

family. A family's philanthropic activities are often the entry point for younger generations to family wealth management.

- » *Long-term investment opportunities* — money within a PAF is often invested in perpetuity, it's an ideal environment for long-term investing.
- » *Flexibility* — there is increased flexibility around some investment decisions within a PAF, due to the tax exempt environment of the structure.

The growing interest in philanthropy is expected to gain momentum in coming years, fuelled by increasing client demand, wealth and social conscience. While some financial advisers have already recognised the opportunity to fulfil clients' needs in this area, there is still significant scope for advisers to deepen client relationships and engage with the next generation by making philanthropy part of their client conversations. ■

## CHRIS CUFFE'S PAF EXPERIENCE

I established a PAF seven years ago and it's been interesting to see the difference it has made to my experience of giving. I have always had an interest in philanthropy, but since establishing our family foundation, we have planned our giving more thoughtfully. This has made me more confident in the non-profit organisations we've supported, and I have relished the opportunities we've had to engage with them and more fully understand their work. It's been an incredible privilege to see the impact our donations have had on the communities these organisations are helping.

It's certainly been a joy to involve my family in the grant decision-making process and, from speaking to other PAF holders, I know this is a common experience. I have heard stories of regular family dinners where children are given the opportunity to 'pitch' the cause they'd most like to support, helping them to develop greater awareness of the disadvantage and social injustice in parts of our community. I hope this tradition will continue in our family and that the foundation will be an inspiration to future generations.

Chris Cuffe is a company director, investment manager and philanthropist. He is chairman of Australian Philanthropic Services, which establishes and administers private and public ancillary funds for individuals and families, and provides grantmaking advice, complementing the services philanthropists already receive from their lawyers, accountants and wealth advisers.

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