



Giving Australia 2016 PHILANTHROPY

Structured giving vehicles and philanthropy

Why do philanthropists choose a structured giving vehicle?

Giving Australia 2016 tells us that the desire to give strategically to create a long term, financially sustainable giving channel is a key factor.

Some philanthropists move from a mostly spontaneous approach to a more planned and structured approach by way of a philanthropic giving vehicle.

Types of structured giving vehicles

The most common legal structure (adopted by 33% of respondents to the *Philanthropy and philanthropists* survey) was a Private Ancillary Fund (PAF), followed by charitable trusts and sub-funds.

Table 1: Most common legal structures

Legal structure	Percentage
PAFs	33.3%
Charitable trusts	18.1%
Sub-funds	12.4%
Other*	25.7%

*Including: company of the Australian Government; family office; community foundation with trust entities; trustee of a Public Fund; incorporated nonprofit; company limited; and applied research institute.

PAFs tended to be established by people who had the resources and the inclination to establish and manage their own fund.

Sub-funds of umbrella organisations such as community foundations were established by people with smaller capital amounts to give or by those who preferred their giving to be part of a collective endeavour. Some opted for both.

Influences on structured giving

The top five factors influencing the take-up of a structured giving approach are shown in Table 2. Each of these factors, to varying degrees, aligns with philanthropists' motivations.

Philanthropists were overwhelmingly motivated by a *sense of agency*: their ability to make things happen. For many philanthropists, this meant organised, strategic giving, involving the family and aiming to make a difference in the present and future.

Structured giving vehicles were viewed as an option for creating a perpetual structure that was appropriate for private philanthropic giving and enabled the donor to:

- ❖ involve family members
- ❖ pass on family values and culture
- ❖ role model behaviour
- ❖ demonstrate the power of giving to make a difference
- ❖ leave a legacy, and
- ❖ enable ongoing giving and impact.

Table 2: Factors influencing structured giving

Influencing factor*	Percentage
To be more strategic in giving	71.4%
To make a difference	53.6%
To help organise giving	53.6%
To involve family in giving	53.6%
To create structure in perpetuity	42.9%

*Respondents could choose more than one answer.

Benefits of structured giving vehicles

Those who use structured giving vehicles thought it made their giving:

- ❖ more strategic
- ❖ sharply focused and with greater impact
- ❖ more financially sustainable, and
- ❖ better planned around personal and/or business needs.

Foundations, trusts and ancillary funds also allowed for control over where money was spent and had potential for tax incentives.



Impact investing

While impact investment appears to be a growing focus of popular discussion, respondents made little use of impact investing compared to other giving vehicles.

The active management of structured philanthropic funds was often undertaken by professionals. Some 80% of the 105 respondents that completed the survey either did not include impact investments in the fund portfolio or did not know if impact investments were included.

Of the 20% that did include impact investments, nearly half (48%) committed just 2% or less of the funds available for investment.

Ethical screening

Just over half (55.3%) of the 105 *Philanthropy and philanthropists* survey respondents indicated that their fund applied some form of ethical screening to investment decisions.

- ❖ 5.7% applied *positive screens* (only): targeting of investments perceived to create positive social or environmental impact (e.g. healthcare, renewable energy).
- ❖ 28.6% applied *negative screens* (only): exclusion of investments perceived to create negative impacts (e.g. weaponry, deforestation).
- ❖ 21% applied both positive and negative screens.

Challenges and opportunities

Mechanisms that enhance a philanthropist's sense of agency and impact can encourage structured giving.

The key message from *Giving Australia 2016* philanthropy interview and focus group participants about enabling structured giving was 'make it easier'.

Giving Australia 2016 participants recommend several actions to grow structured giving, such as:

- ❖ reduce the complexity involved in establishing a structured giving vehicle
- ❖ reduce restrictions on where donations can be made (e.g. enable PAFs to gift beyond Deductible Gift Recipient (DGR)1s, inclusive of individuals)
- ❖ establish mechanisms to encourage sharing of administration (back-office)
- ❖ increase awareness and skills among solicitors and financial advisers, and
- ❖ support foundations to leverage the relative freedom they have to take risks with their money.

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