Give forever. Charitable bequests and you.

By Perpetual Private Insights

4 September 2020



At first glance, writing your will is not something designed to fill you with joy. You are, after all, considering your own mortality. But for many people there is joy in it. They are leaving something behind for those they care about.

Some take this even further and leave money in their will to causes, organisations and communities they care about.

Others go further still. They establish a charitable foundation in their will. And they set it up to last forever – in perpetuity. So, they live forever through a gift to others.

Here's how you can do it.

1. **Who do you want to help?**

   The first thing to do is to identify *your* mission**.** Is there an organisation you admire and support? A charity or a cause that lifts your heartbeat?

   In July 2020, Perpetual ran a research program called the *What Do You Care About?* project. We asked over 3000 Australians to talk about philanthropy. More than 25% said they're more likely to support a charity if it's 'personally relevant'.

   It might be that you or someone you loved lived through a medical crisis and you want to fund research into that area. Or you want to honour the memory of someone you loved by supporting organisations they were passionate about.

   So, start by identifying the organisations or causes that have the most meaning for you and your family.
2. **How are you going to help?**

   Our *What Do You Care About?* survey also told us that 70% of Australians give to charity. Even more impressively, 33% make regular donations to specific charities. That regular support is crucial. Obviously, it gives not-for-profits (NFPs) more money to do good work with. More importantly, it gives them cashflow certainty. Which means they can more effectively develop and roll out programs that help others.

   The power of sustainable giving

   "Annual grants to the Prince Charles Hospital Foundation from the Myrven and Judith Muir Memorial Endowment allows researchers to build momentum in their work, potentially leading to faster medical discoveries. With sustainable funding from the endowment, we're able to retain the best researchers and give them the security they need to carry out their life-saving work. The Muirs' generosity gives our researchers an element of security in a field that struggles for ongoing funding."

   Michael Hornby, CEO, Prince Charles Hospital Foundation

3. **Give forever**

According to statistics from the 2016 Giving Australia Report1, less than 8% of Australians leave a charitable bequest in their will. Yet giving via your will is a massive opportunity to do good after you're gone.

There's one reason that's almost too obvious to mention – the bottom line.

Nearly 40% of people we surveyed in our What Do You Care About? survey said they are more charitable: "when I have spare money". Your will is a chance to set aside a lump sum of money to create your own legacy.

The obvious way to do it is via a bequest. "Direct gifts from a will are fantastic for NFPs", says Jane Magor, Perpetual's National Manager - Philanthropy & Non-Profit Services. "We've worked with charities that have been able to fund really significant programs thanks to major bequests."

The alternative to a one-off lump sum is more structured giving. Giving that extends your generosity long after you're gone. Giving that serves as a philanthropy focal point for your family. And giving that offers the causes you care about an ongoing flow of income. Let's have a look at the options:

- **A Private Charitable Trust**
  A Private Charitable Trust exists to primarily distribute income to eligible charitable causes. Gifts can be made to a wide variety of charitable beneficiaries, however because of this flexibility these trusts do not have Deductible Gift Recipient status. Therefore, there is a possibility that a capital gains tax (CGT) event could be triggered and the estate may incur a capital gain on which tax will be payable.
- **Private Ancillary Funds (PAF)**
  A PAF is a popular charitable structure that provides gifts to eligible charities over time and is a tax effective way to structure your philanthropy. At Perpetual, we work with individuals and families on the establishment and management of their PAFs during their lifetimes and honour their legacy by distributing to organisations they cared about from their PAF for decades after they've gone. On most occasions we advise our clients to set up PAFs during their lifetime and to contribute a final gift into their PAF in their will.
- **Public Ancillary Funds**
  A sub account within a Public Ancillary Fund (such as an endowment within the Perpetual Foundation) is structured giving made easy. Donations are generally tax deductible and there can be CGT advantages to giving through your estate.

An endowment in the Perpetual Foundation can be established during a person's lifetime or via their will for as little as $20,000, which is substantially lower than the other structures. Funds donated into an endowment are invested and gifts are made in perpetuity to causes or organisations recommended by you.

Money where it makes a difference

Respondents to our *What Do You Care About?* survey were most energised by one key issue: "will the money go to the people who need it?" That was the big issue for 40% of respondents.

It's a question that links to the benefits of establishing a charitable structure in perpetuity. With a 130-year heritage behind us we're experienced at helping philanthropists structure their giving to ensure it is flexible enough to adapt to a changing charitable environment, during their lifetime and well after they've passed away.

At Perpetual we conduct a comprehensive research and grant process to ensure that funds distributed by these structures are used by not-for-profit organisations as intended and have a lasting impact in communities that need support.

What to do now?

You might want to make your money do good forever. But it's important to discuss your intentions for your will with your partner and family. Many people find that the forward-looking approach required to set up a charitable structure helps smooth out any potential misunderstandings about their intentions for their estate.

Often it creates a family focus on supporting a cause or organisation you've decided to support in your will. Once the family discussions are resolved, a chat to your solicitor and financial adviser are sensible moves.

- Like to know more about the Perpetual Foundation? You can find more information and download the Perpetual Foundation brochure.
- You can also review an example legal clause that can be inserted into your will to enable the establishment of a Perpetual Foundation endowment in your name, that of your family or in honour of a loved one. Discussing that clause with your legal advisers will add real impetus to your aim of including philanthropy in your will.

Receiving an inheritance?

Your inheritance is personal. Advice should be too. Visit our Inheritance Hub for information on what to consider when receiving a sizable inheritance.

1. Baker, Christopher, Jo Barraket and Aurora Elmes, with Alexandra Williamson, Wendy Scaife and Marie Crittall. 2016. *Giving Australia 2016 Fact Sheet – Charitable bequests* by the Australian Government Department of Social Services. Melbourne, Victoria: Centre for Social Impact Swinburne University of Technology, The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology and the Centre for Corporate Public Affairs.

Perpetual Private advice and services are provided by Perpetual Trustee Company Limited (PTCo), ABN 42 000 001 007, AFSL 236643. This publication has been prepared by PTCo and contains information contributed by third parties. It contains general information only and is not intended to provide you with advice or take into account your objectives, financial situation or needs. You should consider with a financial adviser, whether the information is suitable for your circumstances. The information is believed to be accurate at the time of compilation and is provided by PTCo in good faith. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. PTCo does not guarantee the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance. Published in August 2024.