

BEN CLARK / head of philanthropy / Australian Executor Trustees

GIVING BACK



ANTONIA RUFFELL / *chief executive officer*
/ *Australian Philanthropic Services*

“Every year we have a number of advisers who come to us and say they’ve got this client – these advisers may not

even have a big portfolio of wealthy clients – but they’ve got one client who has suddenly sold a business, they’ve sold it for \$150 million and they’re going to have a big tax issue, this year, once only,” she says. “And so they will set up a private ancillary fund right now. They’re the ones who are responding to an immediate need.

“And the other side is the clients where it just makes sense, and it’s something they want to do. That’s where they’re having the ongoing conversation, and it will often come out of an estate planning conversation, a tax planning conversation, or just a general conversation about what wealth means to them and their family.”

Ruffell says an inheritance often gives the recipient pause to stop and think deeply about what to do.

“Often, people, when they have inherited wealth, have a sense of duty to the person who they’ve inherited the money from,” she says. “They want to do something in memory of their father, their mother, their aunty, their uncle, whoever it is. If it’s money they haven’t earned, there’s a different attitude to it. And also, the kids of people who have the PAF [private ancillary fund] today will inherit control of [it].”

GROWTH IN INTEREST

Scaife says there is “growth in interest in philanthropy, there is growth in the numbers of structures for philanthropy”, but the ACPNS report indicates there’s “not as much awareness [among advisers] of the possibilities as there might be”.

“It’s not so much supply as awareness that this is of interest to their clients,” she says.

“The market itself out there is growing. We certainly are seeing an appreciable growth in people who are reaching the point in their life where they want to set up some structures to enable giving, and to structure their giving more formally, as opposed to doing it ad-hoc with a cheque at the end of the financial year.

“So I think in terms of a market for financial advisers, we would see there’s been steady growth. You can track this with the growth in things like

setting up of PAFs ... and the continued growth of giving, which we can track across Australia.”

Scaife says interest in philanthropy tends to dip when investment markets aren’t doing well, but adjusting for this there’s a clear upward trend.

“It’s a market that is important for advisers to appreciate, because it’s a growing market. It is a growth area but we’re still to see some catch-up within the financial advice sector, in terms of awareness of the potential, or of the expectation that high-net-worth clients may be interested in talking about this topic.”

Scaife says that advisers who successfully include philanthropy in discussions with clients have often either been involved directly in philanthropy themselves, or include the topic in a list of things to discuss right up front when taking on a new client.

“That is an absolutely critical point,” she says. “One-in-five will discuss it right at the beginning of a relationship.

“If you have a setup where you’ve got a bit of a checklist of questions that you always ask, I think that’s very non-threatening to the client. If they know it’s a question that is asked of everybody.

“If you’ve got a client who is genuinely not interested in philanthropy in any way, shape or form, you haven’t offended them because it’s a standard question that gets asked. But for those that are interested, you’re fleshing them out early and starting that conversation early. Again, it’s the sort of thing you can revisit over time, if there’s that sense that it’s a standard question asked of all clients. For some people this is an important topic.”

Scaife says clients “like to be regarded as a holistic person, not just as a balance sheet”.

“Money does all sorts of things beyond gaining a financial profit – there’s also the social profit angle,” she says.

“It can lead to a closer relationship. Intimate is the wrong word, but a more personalised and a more engaged relationship where you are really dealing with the person according to their full range of interests, not just their financial ones.”

GET INVOLVED

Scaife says it is easier for advisers to raise the issue of they have had involvement in giving themselves.

“I think that gives you credibility,” she says. “It’s an opportunity for advisers to reflect on giving according to their means. If you really

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WE DON'T FLY
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CHAMPAGNE



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WE CERTAINLY ARE SEEING AN APPRECIABLE GROWTH IN PEOPLE WHO ARE REACHING THE POINT IN THEIR LIFE WHERE THEY WANT TO SET UP SOME STRUCTURES TO ENABLE GIVING, AND TO STRUCTURE THEIR GIVING MORE FORMALLY



THE FOUNDER OF COUNT FINANCIAL HAS ALWAYS BASED HIS ACTIONS ON THE BELIEF THAT **SERVICE TO HUMANITY IS THE BEST WORK**

THE Lambert Initiative

Barry Lambert, the founder of Count Financial and currently chair of both Countplus and Class Super, made headlines last year when his

family agreed to donate \$33.7 million to the University of Sydney to fund research into the medical use of cannabis.

The Lambert Initiative, as it is now known, was prompted by health issues faced by his young granddaughter, but philanthropy has long been part of Lambert's view of the world.

"I don't think we can rely on governments to do everything for everybody, and in fact governments spend a lot of taxpayer's money and I'm not sure how efficient they are and I'm not sure how well directed it is, in many cases," he says. "Certainly, governments need to provide the basic core support for society but there's a lot of things that are missed. There's no doubt that individuals with a lot of money have their own personal preferences about where society needs more help. Governments have a big role, a core role, a basic role, and individuals, if they feel so inclined can help out in certain directions. There's always going to be a need for individuals to cough up."

Lambert says his interest in serving the greater good dates back to his involvement in the Junior Chamber (Jaycees) organisation. "It was a business group, and part of their creed was that 'service to humanity is the best work of life'," he says. "I believed in it then; I still believe in it

today. Rather than have your name on a building, or whatever else, what you do for society, for people, is what you're going to be remembered for, if you want to be remembered.

"I've always believed that you should give back. And obviously I've been in a position whereby I can give back, whereas perhaps others can but don't, but that's not for me to comment on."

In 2004 the Lambert family set up the Count Charitable Foundation, and donated \$1 million a year. Count itself puts in \$250,000 a year, and that has continued since the acquisition of Count by the Commonwealth Bank.

"It was a very significant part of our income at that time, back in 2004 – we got a tax deduction on it, of course – but it made our people feel good and we got support from them to put money in. That fund today has got \$16 million in it. We put in \$9 million over nine years. We don't put in any more money to it now, because it's self-fulfilling, and we pay out 5 per cent [of the foundation's capital] a year.

"We're paying out \$800,000 a year. We have a committee of Count members, and myself and [lawyer] Noel Davis – he's the chairman of Count Foundation – we OK it, but by and large the membership decides who the support should go to."

Lambert says people are "probably more familiar with the latest thing" he's thrown his support behind.

His granddaughter has a severe form of epilepsy called Dravet syndrome, caused by a gene mutation, and while there is no known cure for the condition it is believed that certain compounds present in the cannabis plant can relieve its symptoms.

Lambert is funding research to isolate and then test the 100 or more compounds in the plant to identify which may be most effective in treating Dravet syndrome, and other conditions. These compounds are quite separate from tetrahydrocannabinol (THC) – the ingredient that gives marijuana users the high. Lambert's son, Michael, researched potential treatments for his daughter and came across information on the medical use of cannabis, and the work the University of Sydney had been doing in this area.

"They have these people who have been looking at this – they obviously do other things too, because they haven't had the money to [only] do this – but in the last 10 years they've worked pretty hard at it," Lambert says. "They came to us and said . . . we'd love to do a lot more research on all this and we need money; Michael said you might want to assist us.

"They started off talking about \$6 million for the program. Anyhow, they went back and prepared a plan and costed it over a 10-year period and it turned out it was \$33.7 million.

"We don't fly first class and live the [first-class] lifestyle; we get more satisfaction out of giving it away than drinking champagne. We said, well, we believe in it, how can you not [fund it]? It wasn't a question of whether we should do this. Of course we should."

Lambert says a condition of the funding is that the research cannot only be into the use of cannabis to treat childhood epilepsy, but must explore its use in treating a wider range of conditions.

"We didn't want anyone to say you've only given this money for your granddaughter. That [alone] wouldn't be a bad reason for doing it, but we didn't want to be seen to be doing it only for that. But she was the catalyst who got us aware of this." ■

The generous heart of financial planning

AFTER THE BEST PART OF A DECADE, FUTURE2 IS MATURING AND ATTRACTING A GROUNDSWELL OF MEMBER SUPPORT.

WORDS / Susan Grice

In 2007 a small group of FPA members had the foresight to establish a charitable foundation linked to the financial planning profession. A true profession, they argued, must be committed to helping those in the community who are least able to help themselves. Future2 was founded with a vision to become the heart of the financial planning profession. The focus was then, and remains now, to make a lasting difference in the lives of those who need it most, giving disadvantaged young people a second chance and hope for a better future.

As at the time of writing, Future2 has donated \$613,000 to nearly 50 community not-for-profit organisations throughout Australia. Every grant

application has been endorsed by a local member of the FPA, many of whom have volunteered, mentored or otherwise helped the not-for-profits applying for funding.

In his parting message to stakeholders last year, outgoing chair Steve Helmich said: "In my mind, we turned the corner from infancy to early adulthood [in 2015]. The changes are apparent in our fundraising efforts, engagement with financial planners, the growth of our grants program, and the strengthening of our governance."

When new chair Matthew Rowe CFP sat down with fellow trustees for a planning session in February, they committed to doubling Future2's corpus to \$2 million by the end of 2017 (\$972,000 in January 2016) and to more than double annual grants to \$250,000 (\$117,000 in 2015).

Having started life with the support of the FPA, Future2 has cemented its relationship with the professional association. A grass

GRANTS SNAPSHOT 2015

In Como Western Australia, **The Esther Foundation** received a three-year grant to support young women in crisis to develop skills for work; the application was supported by Randall Stout CFP. In Tasmania, David Gibson CFP endorsed the application of **Launceston City Mission** for SMART, a program to help young people with addictive behaviours to manage and change their lives. In the remote Northern Territory, the **Palngun Wurmangat Association** received the second year of a three-year grant to give young Aboriginal women experience in retail and hospitality work; the application was supported by Kathy Havers CFP.

roots member movement is gaining momentum within the FPA as members engage with their charitable foundation. Local chapter fundraising events and member donations continue to grow strongly along with the engagement of FPA members in grant endorsements, grant reviews, pro-bono work and governance.

Year on year, Future2's vision to be the heart of the financial planning profession is becoming a reality. ■

Susan Grice is general manager of Future2 Foundation - www.future2foundation.org.au



▶ want to understand the attitudes of your clients, sashay a little bit into the field yourself.”

The Financial Planning Association (FPA) supports the Future2 Foundation as a way for individual financial planners to experience firsthand the benefits that can flow from philanthropic work (see box.)

Future2 was initially set up with only administrative support by the FPA to be the charitable foundation for the entire financial planning community. More recently Future2 was brought back into the FPA fold. It raises funds through a range of initiatives, including the annual Future2 Wheel Classic bike ride, and makes grants to community groups that do work to support disadvantaged youth around the country. Grant recipients are nominated by FPA members, and considered by the Future2 trustees.

And some financial planning businesses have established their own foundations to support good causes. One such firm is Hewison Private Wealth, which set up the Hewison Foundation late last year to coincide with the firm’s 30th anniversary, and start formally giving back to the community that has supported it over those years. Count Financial has operated a charitable foundation since 2004, and more recently, Count founder Barry Lambert has extended his personal philanthropic activities significantly (see box).

CONFLICTING WITH WEALTH CREATION

The ACPNS report finds that many advisers say they are reluctant to advise on philanthropy because they fear it will not generate revenue for the business or because they see advice on giving money away as conflicting with their role in wealth creation.

“If you’ve come from that financial background, your focus is really on making money for your client,” Scaife says. “You do a good job if you are hell bent on that and tramline-focused on that. But it is probably the more traditional and limited view, perhaps.

“That’s something we’d see getting less over time, but it’s that habitual kind of attitude and the way that the financial mind has been taught to think, that you focus on getting the utmost *money* for your client. The question is probably better put as what is the utmost *outcome* for your client?”

Clark says the ACPNS study is valuable in identifying some of the roadblocks, both real and perceived, to financial planners getting more deeply involved in conversations and actions with clients about philanthropy.

“What we’re hoping to achieve is to further the benchmarking exercise and to get a litmus of what adviser appetite is at the moment,” Clark says.

“It’s a really interesting period for a number of reasons. One is that we’re still in a period of market

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volatility, and we know that affects and impacts on people's decisions to give, and that's largely tied to the notion of making an irrevocable gift and surrendering your beneficial ownership of the assets you're donating to your foundation or indeed to a charity."

ADVISERS ARE CURIOUS

Clark says the best way to describe advisers' general views towards philanthropy is "curious".

"There's interest and there's a high level of awareness but there's a level of discomfort in talking about it with clients, largely because advisers generally and understandably don't know what options are available to their clients," Clark says.

"And they're probably a little bit unaware of the benefits it can deliver to them as advisers."

He says interest in philanthropy has been driven by heightened media coverage and some public campaigns globally around the perceived obligations of the ultra-high net worth and mega-wealthy to contribute significant portions of their wealth towards good causes.

Philanthropy in its broadest definition is "a willingness and a desire to give back", Clark says.

"Looking at the spectrum of philanthropy, that can start at volunteerism and it evolves into making material and financial support available to organisations that are at the coalface. Ultimately, [it is about] making the communities in which we live and, those of us who are fortunate enough to prosper, better places."

Clark says a major barrier to entry for advisers is still being "unsure how to best provide philanthropy advice".

"And that's underpinned with only 5 per cent of the advisers surveyed believing they are well informed to provide advice to their clients," he says.

"That's through having a resource in their own practice or being able to rely on a trusted partner. But also, interestingly, a number of advisers felt that their professional associations weren't providing enough support for them as individual advisers."

Clark says philanthropy advice is not a technically demanding issue – any financial planner conversant with

superannuation, especially self-managed superannuation, will find significant parallels between that and the structures used to implement philanthropic plans.

"There are so many parallels between existing structures and the structures that are geared towards the high-net-worth giving space," Clark says.

"Technical proficiency would be a relatively easy thing to overcome. Another barrier that's understandable is the discussions that need to be had with the client to uncover this [issue] really force the adviser to get into territory that moves beyond the transactional relationship. It really drives the adviser into those values-based discussions.

"The benefits that are reaped through that are building in rapport, building in

"It's a pretty simple concept. What we do, essentially, is take on the risk; leave the adviser to focus on returns and investing the assets and determining the investment strategy; and being the central point of contact for the client, who is now freed up and unencumbered from those issues to really focus on the reward of their foundation, which is giving the money away."

Ruffell says advisers that are most comfortable having those kinds of holistic, values-based conversations are the ones that tend to refer clients to APS most often.

"Their characteristics would be that they're the people dealing with high-net-worth clients ... and the people who are comfortable talking about philanthropy and do it all the time and get more referrals are those advisers having values-based conversations – having conversations around what's important to the family," she says.

"Are they concerned about issues of wealth transfer or the impact of money on their children? Concerned about the legacy they're going to leave? A lot of people have made a lot of money and want to think about how they can do great things with that money. It's not just all about themselves."

Ruffell says philanthropy is usually driven by a genuine desire to do something meaningful, simply not by the desire to solve a tax problem.

"It is a solution to a tax issue, it has tax advantages," she says. "But every time I'm in an early-stage meeting with an adviser and their client you will always hear the client saying something like, 'I feel like it's the right thing to do', 'I want to give back', 'I've been incredibly fortunate', 'I want to give other people the opportunity', 'I want to inspire my kids to have a sense of responsibility around wealth'. Those sorts of things will always come up.

"Most people are already giving in some way already and they have all got some desire to do good. What the PAF does is provide the structure to help them think more strategically about how they're going to do that good." ■



THEIR CHARACTERISTICS WOULD BE THAT THEY'RE THE PEOPLE DEALING WITH HIGH-NET-WORTH CLIENTS ... AND THE PEOPLE WHO ARE COMFORTABLE TALKING ABOUT PHILANTHROPY AND DO IT ALL THE TIME AND GET MORE REFERRALS ARE THOSE ADVISERS HAVING VALUES-BASED CONVERSATIONS – HAVING CONVERSATIONS AROUND WHAT'S IMPORTANT TO THE FAMILY

trust with the client and an inclination to refer other clients and bring over more business to the adviser.

"But the other thing that's interesting and is a bit of a barrier, and hasn't necessarily been picked up in this research, is that historically the service providers in this space have been trustee companies whose models are predicated on taking over the relationship and taking over the servicing of that philanthropic need for the client."

EMERGING SOLUTIONS

Clark says new solutions are emerging that address advisers' traditional concerns about entering the philanthropy space.

"We've honed our attention really on this model ... around genuine partnership and supporting the adviser to succeed," he says.