



MAKE A LASTING IMPACT

YOUR OWN CHARITABLE FOUNDATION

Information brochure

Perpetual's Private Ancillary Fund Service

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Perpetual 

WHY PERPETUAL?

Perpetual is one of Australia's most experienced investment management, financial advisory and trustee services groups, with an enduring passion for protecting and growing our clients' wealth.

Founded in 1886 as a trustee company, we have helped generations of Australians invest and manage their financial assets through all market conditions.

Perpetual Group manages investment funds exceeding \$25 billion, administers over \$259 billion of client funds, and advises clients on \$9 billion of investments (as at 30 June 2013).

PERPETUAL PHILANTHROPY

For over 100 years, Perpetual has helped individuals, families and companies contribute to the health and well-being of others through philanthropic endeavours.

Today, Perpetual is one of Australia's largest managers of philanthropic funds, including acting as trustee for over 550 charitable trusts and endowments with over \$1.3 billion in funds (as at 30 June 2013).

Cover image: 'Nano II,' by 2010 Helen Lempriere
Scholarship recipient Matthew Harding.

Photo: Clyde Yee

Helen Lempriere Scholarships

The Helen Lempriere Scholarships are a realisation of a bequest made by the late Keith Wood who wanted to establish a charitable trust to honour his wife, Helen Lempriere. Helen was one of Australia's leading female artists in the mid 20th Century. Held in partnership with Sculpture by the Sea, Bondi, the Scholarships foster and promote contemporary Australian sculpture.

We have assisted in the establishment, investment and distribution of funds for medical, social, environmental, religious, cultural and educational purposes.

Our experience has given us a deep understanding of the needs of philanthropists, charitable and non-profit organisations, and professionals supporting these groups.

We are committed to helping donors develop sustainable giving programs.



ESTABLISHING YOUR OWN CHARITABLE FOUNDATION

DO YOU HAVE A PARTICULAR CHARITY OR CAUSE YOU WOULD LIKE TO SUPPORT?

Perhaps you are already donating to charity but would like to put something in place for the longer term and make a significant difference.

Using a private ancillary fund (PAF) allows you to:

- **Create your own charitable foundation** – you decide which charities or causes receive your support.
- **Make a sustainable difference** – your charity or cause can benefit from your foundation in perpetuity.
- **Give more than you donate** – investing your donations prudently over the long term allows your foundation to continue distributing tax-free earnings.
- **Keep your giving private** – with the assistance of a trustee company you are able to keep your giving private, if you so choose.
- **Determine your level of involvement** – you decide on how involved you would like to be in the running of your foundation.
- **Create a giving tradition** – you can involve your family and close friends (within certain limits) in support of your foundation to help the community.
- **Create a legacy** – you can name your foundation in honour of your family or in memory of a loved one.

The Wilson family wanted to make a difference to Australian youth who had lost their way.

They also wanted to see their contribution work as effectively as possible and as such, chose to establish the Teen Spirit Charitable Foundation, a PAF, with Perpetual as co-trustee.

“Perpetual was chosen as a co-trustee after examining several options, including banks. We felt that Perpetual was best equipped to look after the administration and invest the Teen Spirit funds. We wanted full control over where the money went and wanted confidence that the investment side was looked after.”

OVER TIME WE'VE BEEN ABLE TO INVOLVE MORE FAMILY MEMBERS IN RUNNING THE FOUNDATION AND IT WILL GO ON INDEFINITELY. IT'S A FAMILY THING.

Teen Spirit Charitable Foundation

Funding from the Teen Spirit Charitable Foundation is helping Belvoir's Access Program provide young people with the chance to experience the magic of theatre, regardless of economic circumstance. As one teacher involved with the program expressed, “Giving our students the opportunity to see live theatre, bridging the gap between the demographic of those who are not as privileged, has such a profound effect on our students.”



Belvoir's Peter Pan in rehearsal (photo: Brett Boardman)

WHAT IS A PRIVATE ANCILLARY FUND (PAF)?

A PAF is a charitable trust which invests donated money or assets and then distributes the earnings to eligible charities.

PAFs are grantmaking entities that allow you to create your own charitable foundation to help support your chosen charity or purpose in a sustainable way over the long term.

A PAF can be established while you are alive and incorporated into your will. It can operate in perpetuity, ensuring your money continues to be used for your intended purpose.

PAFs require management by a corporate trustee. Perpetual can fulfil this role, which means you don't need to focus on the compliance aspect and can concentrate on which charities will benefit from your foundation.

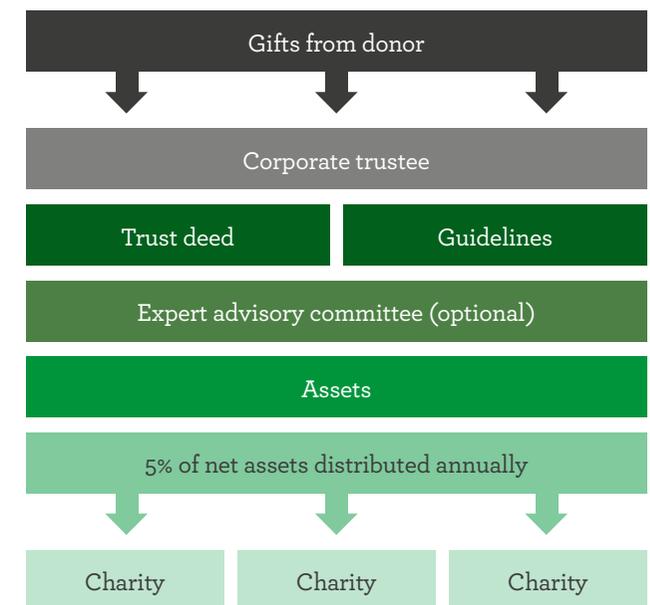
Using a PAF for your charitable foundation also allows you to create a family legacy and gives you the opportunity to involve generations of your family in giving money for the ongoing benefit of the community.

IS A PAF A SUITABLE CHOICE FOR YOU?

A PAF may be appropriate for individuals, families or companies that:

- want control over the choice of organisations they support
- would like to provide a sustainable gift to a chosen cause(s)
- would like the peace of mind that comes with having a professional corporate trustee manage their foundation
- have a recommended minimum of \$500,000 for an initial donation.

HOW A PAF WORKS



Being involved with the Melbourne Symphony Orchestra's Pizzicato Effect program has been a most rewarding experience for us.

IT HAS BEEN REMARKABLE TO SEE SUCH POSITIVE CHANGE IN THE STUDENTS. THEY HAVE GONE FROM HAVING LITTLE OR NO MUSIC SKILLS, TO PERFORMING IN FRONT OF HUNDREDS, AND THEIR BEHAVIOUR AND GENERAL APPROACH TO LEARNING HAS DRAMATICALLY IMPROVED.

Jan Schapper, Schapper Family Foundation

This long-term collaboration between the Melbourne Symphony Orchestra (MSO) and Meadows Primary School in Broadmeadows, Victoria, is achieving convincing outcomes for children's motivation and learning. The impact of the program within the community has been hugely positive. The children have developed a strong relationship with their MSO mentors and a love of music, and their classroom teachers have reported improved focus, self-confidence, gross and fine motor skills and behaviour.



Meadows Primary School students benefiting from the Pizzicato Effect partnership with the Melbourne Symphony Orchestra

IT'S IMPORTANT TO GET EXPERT HELP

When running your own charitable foundation, it can be very easy to get overwhelmed by the administration and lose sight of what you originally set out to achieve.

And with so many charitable organisations doing good work, often it can be difficult to work out which charity to support.

As a professional trustee company, we are held to a high standard of care, so whether you are looking to establish a charitable foundation or get more satisfaction from your existing one, choosing us as your trustee allows you to benefit from our expertise and experience in this sector.

KEY BENEFITS

EXPERTISE. Our knowledge of philanthropy and Australian charities is extensive, with specialist experience across research, grant making and charitable investing.

We can also provide advice on which charitable structure is most appropriate for you.

The charitable trusts we manage are worth more than \$1.3 billion (as at 30 June 2013), making us one of the largest charitable trust managers in Australia.

KNOWLEDGE. We can help you select and fund well-run charities that you would like to support.

As trustee for over 550 charitable trusts and endowments with a broad reach across every sector, we have a wide network of contacts and unequalled knowledge of philanthropy in Australia.

We review approximately 1,300 detailed funding applications from charities all over Australia each year as part of our annual funding round, giving us a unique insight into every charitable sector.

Perpetual has a dedicated philanthropy team that can make funding recommendations from the applications we receive and help match you with those charities you wish to support. We can also work with you to find and build bespoke solutions for your giving.

CONTINUITY. We have been a professional trustee company for over 125 years, giving you the peace of mind that comes with appointing a company with such a long track record.

You can depend on us to be there when you need it. Unlike individual trustees, we do not need to be replaced, or covered for in times of illness, incapacity or absence.

When acting as your trustee, we can also provide an appropriate person to fulfil Responsible Person requirements for your foundation, something which is mandatory when establishing a PAF.

DEDICATION. You will receive ongoing support from our specialist philanthropy team, as well as our team of taxation, accounting, legal and investment specialists.

Being experts in the industry, you can be sure we understand the issues facing philanthropists and foundation trustees.

'ALL-IN-ONE' SERVICE. You can have us take care of all the less exciting tasks, from administration right through to accounting and compliance.

We can also help you select, support and monitor your beneficiaries, and help you develop your foundation's investment strategy to help achieve your philanthropic goals.

YOUR LEVEL OF INVOLVEMENT

The flexibility of a PAF means you can have as much or as little involvement as you like.

Some clients make regular donations and leave the rest to us to manage, relying on us to implement their wishes. These clients often find it easier having us act as the point of contact with their chosen charities.

Others enjoy actively involving themselves in their foundation by researching causes, identifying potential charities to support or presenting grants.

You can choose to establish your own advisory committee and invite experts, trusted advisers and family members to assist in making decisions.

You can even form a private company and act as a director if you wish to be a trustee alongside us.

Whatever you choose, you will have plenty of input into the running of your foundation.

WE MAKE THE PROCESS EASY

We make the process of establishing your own charitable foundation as easy as possible.

1. THE INITIAL DISCUSSION

We begin by first talking to you about what you want to achieve.

If you already have specific charities in mind, we look at these based on their eligibility and ensure your PAF's trust deed reflects your intentions over the long term.

An important consideration is your financial and taxation situation which will help you work out exactly how and when you may donate. As part of this process we can work with any trusted advisers you may wish to involve.

We also run through the roles and responsibilities of running a charitable foundation, so you can get an idea of what is involved and determine how much involvement you would like to have.

We may find after these discussions that a PAF is not the most appropriate structure for you. If this is the case, we will then explain a range of other options that may better suit your circumstances.

2. DESIGNING AN INVESTMENT STRATEGY

Based on our proven investment philosophy, we will design an investment strategy that will provide long-term capital growth and a regular flow of income to meet your foundation's objectives in perpetuity.

We also ensure this investment strategy is compliant with the guidelines that govern PAFs, with regard to things like liquidity, risk and diversification, and also

with legislation that all Australian trustees must follow in relation to investing.

3. HELPING YOU WITH THE PAPERWORK

We help prepare the trust deed, along with all the meeting papers, agendas and minutes required when running a PAF.

You may choose to be a member of an advisory committee, which will be recorded in the trust deed. This is one way to be actively involved while leaving the burden of administration to us.

You can also create a permanent record of your wishes and philanthropic aspirations for the trustee to consider when making decisions.

4. SECURING AUSTRALIAN TAXATION OFFICE APPROVAL

So you can start making tax-deductible donations, your PAF needs to receive deductible gift recipient (DGR) endorsement from the Australian Taxation Office (ATO).

We prepare and lodge your foundation's application together with its trust deed – the most important document governing the operation of a PAF.

The time it takes for approval varies for each application, however our experience allows us to work with the ATO to get your application approved as quickly as possible.

5. INVESTING YOUR DONATIONS

We recommend an initial donation of \$500,000, however you may choose to invest a smaller amount first and then build up to this level through regular donations during your lifetime.

You can also add to your PAF through a final gift through your will.

If your initial donation is in cash, it will be generally invested using our proven investment philosophy that has been tailor-made for charitable funds, and employs a range of managed funds and/or direct shares.

You can have input into the investment strategy we prepare for your foundation, within the laws governing PAF investment.

If you wish to donate assets to your foundation we will help you obtain the ATO-approved valuation so you know the amount that is tax-deductible.

6. DISTRIBUTION OF FUNDS

We can present recommendations to you for those high quality charities that we believe meet your objectives and would benefit from your support.

These may be identified by you or through applications we have received from charities via our annual funding round.

Once the final decisions have been made, the funds will be distributed from your foundation to your chosen charities.

7. SEEING THE RESULTS

Our dedicated philanthropy team monitors charities that receive grants from foundations we manage.

Each charity that receives a grant for a particular activity must provide us with a report on their progress. This helps us ensure donations are being used for the purposes for which they were made.

Our philanthropy team also continues to review charities across Australia, as a way of ensuring our clients can make informed decisions about who to support.



Photo courtesy of Redkite

With the help of Perpetual, Harry Secomb established a PAF - the Harry Secomb Foundation - with the view to making large charitable grants in the remaining years of his life and gifting the majority of his estate to the Foundation on his death.

WHEN HARRY PASSED AWAY, HE LEFT BEHIND A CHARITABLE LEGACY THAT CONTINUES TO PROVIDE SUPPORT TO A NUMBER OF CHARITIES.

Funding from the Harry Secomb Foundation is helping Redkite with its mission to support children and young people with cancer cope with the emotional and practical consequences of their diagnosis. The Foundation is supporting Redkite's Financial Assistance Program which helps families, including those in rural and regional areas, manage the 'hidden' costs of cancer. As income decreases (with one or both parents giving up work to be at their child's bedside), expenses escalate. Redkite helps with the 'must haves' including food, fuel, accommodation near hospital, phone and utility bills.

GIVE MORE THAN YOU DONATE

There are a number of favourable tax advantages relating to a PAF that generally allow them to generate better long-term returns than an equivalent investment outside a PAF.

Over the long term, these tax benefits can significantly increase the amount you can distribute to charity.

While not intended to be tax advice, below is a brief summary of some of the tax benefits associated with establishing a PAF.

DONATIONS ARE TAX-DEDUCTIBLE

As a PAF, your foundation has deductible gift recipient status (DGR) from the ATO. This means you, and all other donors to your foundation, receive a full tax deduction for every dollar donated.

FLEXIBILITY TO SPREAD YOUR DEDUCTION

For a donation of cash, or of publicly listed shares or other property worth more than \$5,000, you are able to claim a tax deduction over a period of up to five tax years.

This allows you to claim the full value of the tax deduction in a manner that best suits your individual circumstances.

CAPITAL GAINS TAX EXEMPTION

Subject to the terms of your will, a donation to an existing DGR approved PAF through your will removes capital gains tax on the assets donated.

This increases the value of your foundation, allowing it to provide more support for your chosen charities.

GIVE MORE USING IMPUTATION CREDITS

The tax-exempt status of your foundation also means imputation tax credits can be claimed as a rebate from the ATO for any franked dividends received.

Our investment experts ensure the investment strategy for your PAF maximises this benefit and our tax team can take care of claiming this rebate.

Once we add the rebate to your PAF, this money is then available for distribution to your chosen charities.



Thanks to funding from The Clark Family Foundation for a Portable Operating Microscope, Waso Resource Development Agency (WARDA), a Kenyan based charitable non-government organisation, has been able to help many Kenyans and Somalis to see again. The funding was facilitated by the Sydney based Horn of Africa Relief and Development Agency.

Georgina, a member of the Clark family, spent six months as a volunteer with WARDA in Kenya.

DURING THIS TIME SHE WAS ABLE TO OBSERVE OPHTHALMOLOGISTS USING THIS MICROSCOPE TO PERFORM A NUMBER OF CATARACT OPERATIONS IN A RURAL KENYAN VILLAGE.

The surgeons said the new portable microscope enabled them to carry out cataract surgery with greater accuracy within a shorter timeframe, meaning that patients' risk of infection was lessened. Some of the patients shared their stories of being able to see their grandchildren for the first time, becoming functioning members of the community again and removing the burden from their carers.

A few years ago, the Clark family made a unanimous decision to set up a Private Ancillary Fund that would enable it to contribute to worthwhile projects (both in Australia and overseas) that do not require a lot of funding and that would benefit both individuals and communities at large who may not have immediate access to the money needed to successfully implement their project. It is very rewarding for the whole family to observe the wonderful outcomes of each undertaking and how funds from the trust can benefit the lives of so many.

MAKING YOUR DONATIONS GO FURTHER

THERE ARE LONG-TERM BENEFITS IN ESTABLISHING A PAF.

CLIENT NEED

Richard and Camille are in their early 50s and, while they have been regular donors to charity over the years, with their three children grown-up they are now in a position to take a more formal and long-term approach to their charitable giving. Over time they would like their children to be involved in decisions regarding the family's giving, including which charities to support.

After selling an investment property they now have \$1,000,000 that they would like to dedicate to charity. They also have \$50,000 of excess income to donate annually.

Given Perpetual's expertise in this sector, Richard and Camille's accountant recommends they approach Perpetual to help them establish their own foundation.

Richard and Camille are familiar with Perpetual's involvement in philanthropy and are aware that Perpetual is trustee for several high profile charitable trusts.

They are both passionate about their community in regional Australia and so would like their donations to be used to fund educational scholarships for indigenous young Australians. They have been thinking of setting up a trust to do this, but are not quite sure how.

Richard and Camille are wary of setting up a foundation without sound advice. They prefer to gain assistance in order to establish the right structure and select the appropriate charities, to help them achieve their goals.

SOLUTION

Richard, Camille and their accountant meet with a Perpetual adviser, who, after reviewing their goals, objectives and time commitment available, as well as their overall financial situation, recommends a PAF to be the most suitable structure for their foundation.

Richard and Camille are happy with the outcome as they like the level of control that a PAF allows and are proud that they will be able to create a lasting legacy.

In addition, the PAF also allows Richard and Camille to take advantage of a range of taxation benefits. When comparing this to donating directly, Richard and Camille give the same amount to their PAF as they would have given directly to charity, yet their PAF distributes significantly more funds over the long term, and continues to grow and distribute funds in perpetuity.

OUTCOME

A PAF can make a real difference to the amount available to distribute to charities over the long term. A change in Richard and Camille's financial circumstances after

20 years means they are no longer able to make their regular annual contribution of \$50,000. Choosing to use a PAF means their donations to charity can continue in perpetuity despite the change to their financial circumstances. The table and chart on the following page use a timeframe of 40 years to demonstrate the long term benefits of their PAF.

Since establishing their charitable foundation, Richard and Camille have been delighted with the difference their donations have made.

As a result, Richard and Camille decide to create an advisory board as a way of participating in the running of their foundation, and development of the investment and grant making strategy.

The long-term success of their donations has resulted in their three adult children showing a strong interest in the running of their charitable foundation.

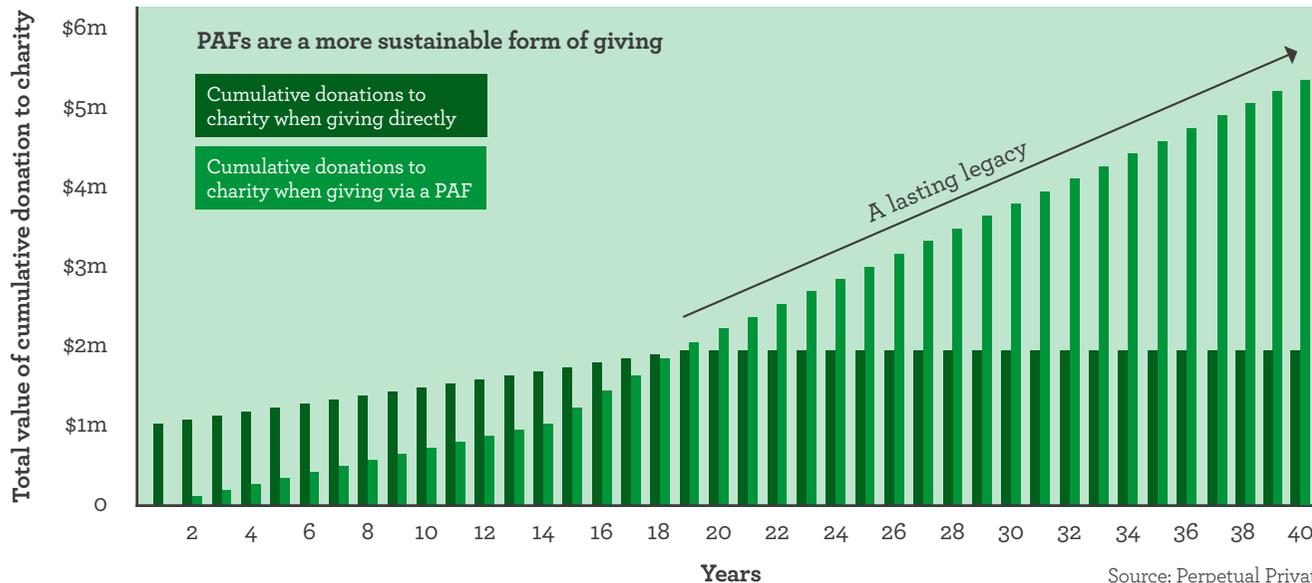
Having Perpetual look after the day-to-day running of their charitable foundation has given Richard and Camille tremendous peace of mind, especially its ability to identify the most appropriate charities and causes.

With Perpetual's help, and the involvement of their children, they are both excited about their foundation continuing to make a difference to indigenous communities in regional Australia.

The benefits of a PAF are clear

	Direct donation	Using a PAF
Cumulative donations to charity over 40 years	\$1,950,000	\$5,238,357
Amount available to continue to distribute to charity (after 40 years)	\$0	\$4,378,881

Source: Perpetual Private



Assumptions:

The PAF invests in Perpetual’s Charitable and Community Investor Fund which has an investment objective which aims to:

- Provide a total return (including income distributions) net of fees and tax of CPI + 5.0% per annum over rolling 5 to 10 year periods
- Provide income distributions after tax of 4.5% per annum

Amount paid to their chosen charity is based on the PAF required minimum annual distribution per financial year which is 5% of the assets of the trust (capital and income) or \$11,000 whichever is greater.

Projections for income and capital growth rates are based on likely future economic conditions, as well as past and likely future performances.

These are estimates only and may vary with changing circumstances.

Fees charged on the PAF are Perpetual’s published fee scales (as at 2 April 2013) and external out-of-pocket costs (such as independent audit costs). External out of pocket costs have been indexed to increase with CPI.

CPI has been assumed as a constant rate of 3.00%



Photo courtesy of Free the Bears Fund

Margaret Dawbarn was a generous Western Australian who worked at the Princess Margaret Hospital for Children and the Royal Perth Hospital in the field of biochemistry. This, coupled with a concern for the environment, influenced her decision to set up a Private Ancillary Fund to support environmental and health and medical research projects. Sadly, Margaret has since passed away, yet the Margaret Dawbarn Foundation will continue to support these sectors in Australia and the developing world for years to come.

One not-for-profit organisation benefiting from Margaret Dawbarn's generosity is the Free the Bears Fund, which is helping to both protect bears from exploitation and promote their conservation in six Asian countries.

“Margaret Dawbarn gave so much to support our work during her lifetime, and through the establishment of a Private Ancillary Fund she has ensured that her legacy will continue to support our bears and other charities close to her heart for many years to come. Many of our bears suffer terrible injuries prior to their rescue and may require up to 30 years of specialist care and rehabilitation, making this kind of fund vital to ensure long-term sustainability for our programs.”

Matt Hunt, CEO, Free the Bears Fund

MAKE PHILANTHROPY PART OF YOUR LIFE

Many of our clients that have established their own charitable foundation say that it is one of the most personally rewarding things they have ever done.

This is often the case for clients who may have retired or are looking for a way to involve their family in fulfilling their charitable intentions – an experience that can be made that much more rewarding by having a corporate trustee company with a track record like ours working with them.

Our philanthropy specialists can guide you through what is involved in setting up your own charitable foundation and answer any questions you may have.

You should also consider obtaining legal and tax advice before establishing your foundation, as every donation you make to your PAF is irrevocable.

We can also work with your adviser during the establishment phase and throughout the life of your PAF.

Your adviser can represent you by dealing directly with us on particular issues, or they can work alongside you on an ongoing basis as, for example, a member of an advisory committee.

NEXT STEPS

To make your charitable ideals a reality or to learn more about how we can help, we encourage you to:

- speak to your adviser
- phone us on 1800 501 227
- email us at philanthropy@perpetual.com.au
- visit www.perpetual.com.au/philanthropy

AND START MAKING A LASTING IMPACT.

IMPORTANT NOTES

This brochure has been prepared by Perpetual Philanthropic Services. In this brochure references to Perpetual, we or us are to Perpetual Limited (ABN 86 000 431 827) and its subsidiaries. Perpetual's Philanthropic Services and all financial advice and trusteeship is provided by Perpetual Trustee Company Limited ABN 42 000 001 007, AFSL 236 643 or its authorised representatives whose registered office address is 123 Pitt Street, Sydney NSW 2000, Australia. The information contained in this brochure is believed to be accurate at the time of compilation and is provided by Perpetual in good faith. However, the statements, assumptions, conclusions and recommendations in it are not intended to be a comprehensive and conclusive statement of the relevant practice or law that is often complex and can change. The information provided in this brochure is general information only and is not intended to provide you with financial advice or take into account your investment objectives, financial circumstances or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. Before you make any decisions, we recommend that you first take professional advice relating to your personal

financial position (including tax considerations), needs and investment objectives. The tax information in this document is not tax advice and should not be relied upon as such. You should consider whether the information is suitable for your circumstance and we recommend that you seek professional tax advice. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

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