



A Planned and Professional
Approach to Charitable Giving

Charitable Giving

Sharing your wealth to make a difference can be enormously rewarding, but many Australians take an ad-hoc approach to their giving, making it difficult to see the impact of their generosity.

There are several options for providing financial support to a charity of your choice.

You could consider:

- Donating money directly to a charity,
- Setting up your own private ancillary fund,
- Joining a public ancillary fund, or
- Leaving a bequest in your will.

Ancillary funds are a simple and effective way to help you make the most of your giving.

Public ancillary funds and private ancillary funds are the two types of foundations in Australia that facilitate immediate income tax deductions for individuals while supporting the charities of their choice over many years.

The Providence Philanthropic Foundation is a public ancillary fund, the trustee for which is Providence Wealth Pty Limited, a wholly owned subsidiary of Providence Wealth Advisory Group Pty Ltd.

Introducing Providence

Providence was established in 2000 as an independently owned and operated investment advisory licensed through ASIC. We provide independent, expert investment management and advice to high net worth individuals, families and non-profit organisations. We are deeply committed to building long-term relationships with our clients and we know we can only achieve this by providing both the performance and the proactive, professional service our clients expect.

We have established the Providence Philanthropic Foundation to facilitate planned and professional charitable giving. We welcome both existing clients and new clients to join us on our endeavour towards sustainable support for charities.

Philanthropy can be a wonderful opportunity for all generations within a family group to collaborate on building their legacy.

As part of our commitment to the beneficiaries our aim is to run the Foundation with an efficiency that enables at least 50% of fees to be rebated back into the Foundation and our expectation is that we will be able to rebate an increasing proportion of fees as the Foundation grows.

Youth



Environment



Education



Disability



Arts & Culture



Health and Medical Research



Animal Welfare



International NGO's



What is a public ancillary fund?

A public ancillary fund is a communal philanthropic structure that helps you take a planned approach to your giving. While a private ancillary fund (often referred to as 'PAF') is a 'DIY' philanthropic structure, a public ancillary fund has the administration, investment and governance activities as the responsibility of the trustee, leaving donors solely to think about the charities they would like to support.

Using a public or private ancillary fund to facilitate your charitable giving is very tax effective. You receive a full tax deduction up front for the amount you contribute to a public ancillary fund. Grants from the fund are then directed over many years to the charitable sector.

Public ancillary funds: Key advantages

- Public ancillary funds are arguably a simpler and less time consuming structure to participate in than a PAF, as a trustee already exists that handles the administration, investment and compliance with the laws - freeing up donors to solely focus on grant making.
- Public ancillary funds operate as aggregators in much the same way as managed investment funds do, to give access to a deductible charitable foundation vehicle to those with less money than is required for a PAF.
- There is no requirement to establish a new trust or trustee company or arrange for separate auditing with each new donor. A donor simply opens a new 'sub-fund'. There is no cost to do this.
- A sub-fund can be established immediately. In contrast, PAFs take at least 1 - 2 months to establish because of the necessary approvals required from the Australian Taxation Office (ATO).
- You can open a 'sub-fund' in a public ancillary fund and later request the trustee and ATO Commissioner to transfer the balance into your own PAF.
- You can give your sub-fund a specific name (such as your family name) and grants to charities from the sub-fund will refer to this name. Anonymous grants are also possible.

Public fund v private fund: What's the difference?

There is a significant amount of consistency between a public ancillary fund and a private ancillary fund:

- Contributions to the funds are tax deductible for individuals.
- Investment earnings within the funds are income tax exempt and franking credits can be reclaimed.
- Grants from the funds can only go to DGR Item 1 Tax Concession Charities.
- The fund's financial statements and compliance with the legislated guidelines needs to be audited and reported to the ATO annually.
- Administrative penalties apply for non-compliance with the legislated guidelines.
- New funds must have a corporate trustee.

But there are also some key differences:

- The minimum per annum amount to be granted to charities from a PAF is 5% of opening fund value each year, while for public ancillary funds it is 4%.
- A PAF is restricted in accepting money from non-associates of the founder (no more than 20% of the fund value in any one year).
- Public ancillary funds must be controlled by a board with a majority of Responsible Persons whereas a PAF trustee can be controlled by family members but is required to have one Responsible Person who is independent of the founder and his/her family.
- A public ancillary fund can and must solicit funds from the public while a PAF must not.

Key Features of the Providence Philanthropic Foundation

Name of Fund	Providence Philanthropic Foundation (ABN 88 523 277 964)
Name of Trustee	Providence Wealth Pty Limited (ACN 603 255 250), a wholly owned subsidiary of Providence Wealth Advisory Group Pty Ltd.
Directors of Trustee	Grant Patterson, Cameron Smart, Guy Amon, Leeza Yilmaz
ATO status of Fund	Deductible Gift Recipient (DGR) Item 2 – Public Ancillary Fund; Income Tax Exempt Fund.
Governance	Providence Philanthropic Foundation is subject to the 2011 Public Ancillary Funds Guidelines and NSW Trusts Law. The Financial Statements and compliance with Guidelines are audited each year by an independent auditor.
Minimum amount	To establish a sub-fund a minimum of \$50,000 is recommended. This requirement can be waived at the directors' discretion.
Minimum additional amount	A minimum amount of \$5,000 is required for any additional donations.
Donation to the Foundation	All amounts contributed to the Foundation are tax deductible, and you can elect to spread that deduction over a period of up to five years (we recommend potential donors obtain independent tax advice). Donations are irrevocable, meaning they cannot be returned. You can add to your sub-fund whenever you wish, including via your Will.
Naming	Each donor may have a named sub-fund and grants to charities from the sub-fund will refer to this name. Anonymous grants are also possible.
Total fees	Investment management fee of 1% per annum of funds under management, calculated and accrued on a monthly basis. At least 50% of this fee will be rebated back into the Foundation. A shared administration and compliance fee will also apply; \$10,000 per annum plus a small audit fee will be shared across all sub-funds.
Investment objective	To achieve a return after fees at least equal to CPI inflation + 4% per annum, measured over rolling 7 year periods.
Grants to charities from the Foundation	The Foundation is required to donate to charities at least 4% of its 30 June funds under management during each following financial year. As such, donors will be requested to do the same. The minimum donation is \$1,000 per charity.
Eligible recipients of grants	Organisations with DGR Item 1 status – this includes charities, public hospitals, libraries, museums and other organisations.
Advisory committees	Each sub-fund may nominate a person or persons to make recommendations to the Trustee on the grants to charities relating to that sub-fund.
Establishment timeframe	Immediately, upon receipt of a completed Application Form and cleared funds to the Foundation bank account.

Is the Foundation right for me?

Providence Philanthropic Foundation is a public ancillary fund. It may be a useful alternative for philanthropically-minded individuals who:

- Have insufficient funds currently available to make a PAF a viable option. We believe PAFs require a minimum of around \$500,000 to be efficient whereas the minimum amount recommended to establish a 'sub-fund' in the APS Foundation is \$50,000.
- Have an interest solely in grantmaking and would like to leave the administration, investment and statutory aspects of running a foundation to others.
- Would like their philanthropic fund to continue on past their lifetime but have no relatives to get involved in the administration and investment aspects that go with a PAF.
- The Providence Philanthropic Foundation can also accept donations of any amount from individuals who do not wish to establish their own sub-fund. In these cases, rather than allocating grants based on a donor's request, the Foundation will solely decide on grant recipients.

Fees

The Foundation charges 1% per annum investment management fee on the amount held in each sub-fund with at least 50% of this fee rebated back into the Foundation. This fee is calculated on a monthly basis and deducted directly from the Foundation. A shared administration and compliance fee will also apply; \$10,000 per annum plus a small audit fee will be shared across all sub-funds.

Online access

Once you have established a sub-fund you will be given online access to a variety of information to help you keep track of your activities. This will include the monthly value of your sub-fund, listing of donations and grants, six monthly investment report, annual audited accounts and various other useful reference materials.

Portability

The Public Ancillary Fund Guidelines 2011 allow, in certain circumstances and with the approval of the Trustee and the Australian Tax Office:

- The transfer of assets between public ancillary funds
- The transfer of the balance of a public ancillary fund 'sub-fund' into your own PAF.

The Foundation trust deed provides for this flexibility.

Investment objective and strategy

The Trustee of the Foundation has complete control over all aspects of the investment objective, strategy and investments held.

The Trustee's decision in relation to such matters has taken into account the following:

- the need to donate a minimum of 4% per annum to eligible charities;
- the likelihood of inflation affecting the value of the investments and income generated;
- the risk of capital or income loss;
- the liquidity of the investments;
- the costs of investment alternatives and transactions;
- the benefits of diversification of trust investments.

Furthermore, public ancillary funds are prohibited from:

- making investments that are not on an 'arm's-length' basis;
- investing in collectables;
- trading or operating a business;
- borrowing money (except in limited short term 'bridging' circumstances);
- providing security over any of its assets.

Taking into account the above, the investment objective set for the Foundation is to achieve a return after fees at least equal to CPI inflation + 4% per annum, measured over rolling 7 year periods.

The Trustee believes that the best way to achieve the investment objective is to invest a significant portion of the assets in growth-oriented investments (such as shares) with a bias at most times to Australian listed shares (because of the additional benefits from franking credits attaching to dividends).

The Trustee also believes it would be prudent to have some exposure to income-oriented investments (such as cash and/or fixed income securities), with an increased emphasis on such investments when sharemarket valuations appear stretched or where there appears to be a better risk/return trade-off in the immediate future from holding such securities.

Based on the investment strategy outlined above, the Trustee has decided that the broad investment ranges for the Foundation should be as follows:

20% - 80% Growth-oriented investments e.g. shares and/or property

20% - 80% Income-oriented investments e.g. cash and/or fixed interest securities

The full investment strategy document is available upon request.

Making grants

Soon after the audit of the financial statements of the Foundation is completed each year (around October), the Trustee will write to you and advise you of the value of your sub-fund at 30 June, together with the minimum 4% that must be granted to eligible charities (or other eligible organisations) during that financial year.

You will then be requested to recommend to the Trustee the eligible organisations your 4% proportionate share should be donated to. The minimum donation is \$1,000 per charity. You can ask the Trustee to grant more than the 4% minimum in any year if you wish, as long as the sub-fund maintains a minimum balance of \$50,000.

As an example, if your sub-account balance was \$60,000 at 30 June, then you would need to recommend to the Trustee \$2,400 of grants before the following 30 June. Given the minimum grant to any one organisation is \$1,000 this means you could ask the Trustee to make grants to no more than two eligible charities.

The Trustee of the Foundation welcomes and actively encourages donor involvement in identifying causes and organisations to be supported by grants. Expert assistance and specialist grant making advice is also available (at moderate extra cost). However, donors should note that under trust and tax law the final grant decisions ultimately rest with the Trustee.

The Directors of the Trustee

Grant Patterson

Grant is the founder and Managing Director of Providence Independent Investment Advisory. He has over thirty years of experience in investment markets. He has held such positions as a Director of ABN Amro, and Head of Retail Broking. He has also held other senior positions: Senior Institutional Dealer, Head of the Sydney Institutional Dealing Desk, as well as Head of Corporate Liaison. In addition, Grant has a focus on youth mentoring in his role as Ambassador for The Duke of Ed Award, and Mentor in The Smith Family Learning for Life programme.

Guy Amon

Guy has over twenty-six years of experience in the financial services industry. He started his career working in tax with Arthur Andersen, and has been a financial planner since 1996. He has held senior management and technical taxation compliance positions with AMP. He was also Manager Retirement Planning, Manager Superannuation, Business Insurance and Sales Technical. Guy has a Bachelor of Commerce and a Bachelor of Laws from the University of NSW. He holds the internationally recognised Certified Financial Planner practitioner designation from the Financial Planning Association of Australia and a Diploma in Financial Planning from Deakin University.

Cameron Smart

Cameron has 30 years of experience in the commercial property industry. Throughout his career with several high profile property companies he has been responsible for investment sales and acquisitions on behalf of high net worth individuals, property trusts and institutions. Cameron has guided investment and development strategies for institutions such as the Uniting Church in Australia. Cameron was an active committee member of BOMA (forerunner to the FCA) and a non-executive Director of the Uniting Church Trust Association. Cameron has most recently been appointed a non-executive Director of the Duke of Edinburgh's Award.

Leeza Yilmaz

Leeza has over 25 years of experience including 2 years working at the Sydney Children's Hospital Foundation, and joined Providence as Operations Manager in 2001. She started her career with Meares and Philips in 1986. She then worked for ABN Amro holding such management roles as Accounts Clerk, Funding Desk and Private Client Account Manager.

Contact Us

If you have any questions, would like more information,
or you would like to arrange an introductory conversation,
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