



# Philanthropists build on dedicated vehicles

The growth of private philanthropy holds promise for the not-for-profit sector.

THE not-for-profit sector is being urged to shift its fundraising focus from the corporate sphere to individuals, amid strong growth in private philanthropy in Western Australia.

That advice follows research showing that, while proportion of the state's population that gives to charitable causes hasn't changed significantly since 1996, the amount being donated per person has grown by more than 250 per cent.

What's more, those private philanthropists funnelling donations into charities are becoming more confident with their giving strategies and are setting up private funds to facilitate philanthropy in a coordinated fashion.

## GOOD GROWTH

The scale of giving in WA has grown strongly in the past few years, with Australian Taxation office data showing donations from WA now accounting for 10 per cent of the nation's total – up from 7.8 per cent in 1996.

WA has been the strongest growth performer of all the states, buoyed by a drastic increase in the amount given per donation.

In 1996, the average donation was \$142. That had increased to \$507 per donor by the end of 2012, which is above the national average.

It's clearly a commendable improvement and one aligned with strong economic growth, but it's the state's high-income earners who are doing the heavy lifting.

The same data from the Tax Office shows the participation rate has barely moved in the past 16 years with three people in a group of 10 making a donation to charity.

John McLeod, from private wealth management firm JBWere's Philanthropic Services division, told *Business News* the data indicated a tale of two economies in WA.

"The economic growth has been great but it's been pretty concentrated," Mr McLeod said.

"Those who have experienced the good growth have been generous, but it has not been spread right across the community, so the proportion of people giving to charity isn't particularly flash.

"But for those that do donate, the levels are pretty good."

Such realisations have prompted recommendations that the not-for-profit sector shift its fundraising approach from the traditional strategy of corporate sponsorship and dona-

tions to one focused on engagement with high net worth individuals.

## INDIVIDUAL CAPACITY

As 2011 Australian of the Year and AMP chairman, Simon McKeon, told a recent philanthropy event in Perth, the data indicated there's a pool of philanthropic funds available in the community.

Furthermore, Mr McKeon said that funding source was, for the most part, untapped as NFPs continued to focus on high-profile companies for funding.

"I'm aware of some high-profile corporates that are, literally, so swamped with requests for that philanthropic dollar that it gets down to only being able to satisfy maybe one in one hundred or two hundred or three hundred," Mr McKeon told *Business News*.

"There is actually another huge market out there; individuals are the people who own businesses and are the highly paid executives and who have maybe inherited money and have set up private ancillary funds – that is money that actually dwarves corporate philanthropy."

At the same Networking WA event, Rio Tinto's head of health, safety, environment and communities, Joanne Farrell, urged representatives of NFPs to reconsider the effort put into chasing corporate donations.

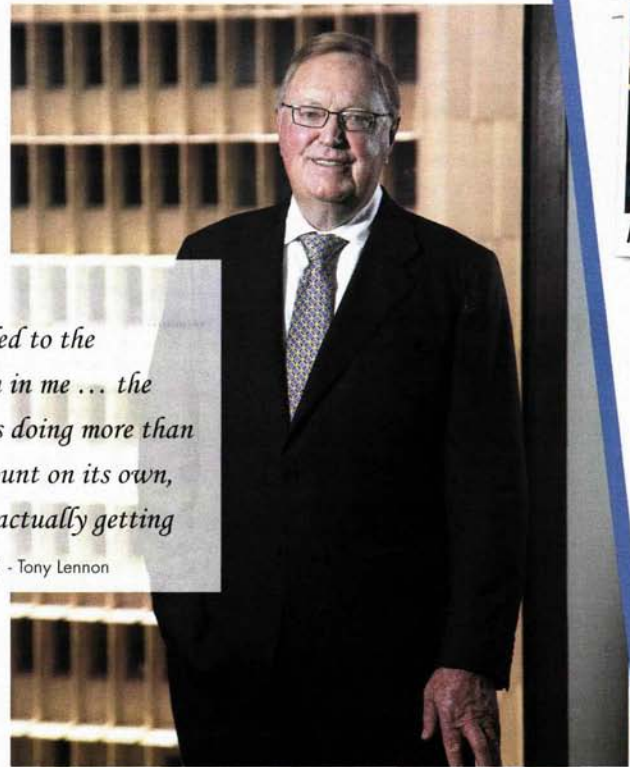
"If you think it's only the corporates who are giving, then you are missing a huge opportunity," Ms Farrell said.

"Studies have been done in the US and in Australia that show about 45 per cent of donations come from individuals."

## PRIVATE FUND GROWTH

The maturation of WA's private philanthropy sector is also evidenced by the growth in the number of private ancillary funds (PAF) established.

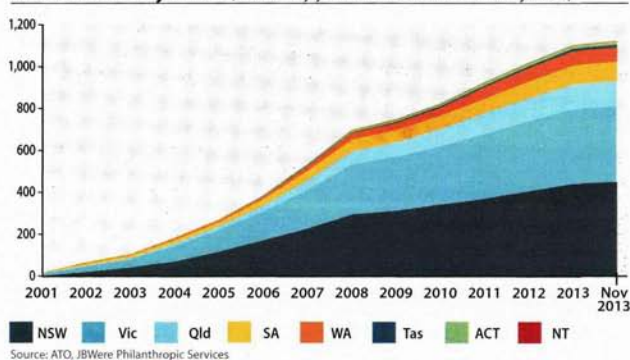
Since 2001, individuals have been able to set up PAFs as a formal and recognised philanthropic structure, and since then the number



**“**That appealed to the businessman in me ... the funding was doing more than just the amount on its own, that it was actually getting that gearing - Tony Lennon

**FOUNDATION:** Tony Lennon was inspired by the Myer family to get involved in philanthropy.

**Private ancillary funds** (Growth by year of establishment and by state)



Source: ATO, JBWere Philanthropic Services







# Philanthropists and Private Foundations

**Andrew Forrest's stake in Fortescue Metals Group valued at \$4.9bn (as at 14/5/14)**  
Forrest family contribution to charitable causes more than \$270m



Forrest family

## Minderoo Foundation

Established in 2001  
Donated \$65m to university research and education in 2013 - the largest known philanthropic donation in Australian history

- Supports**
- GenerationOne - Indigenous employment foundation
  - Walkfree Foundation - focused on ending modern slavery
  - Hope for Children - supporting vulnerable children

Malcolm McCusker became 31st Governor of WA in 2011  
Committed to donating his salary of \$422,678 to charity



McCusker family

## McCusker Charitable Foundation

Has contributed more than \$30m to charitable projects and not for profits  
Founded Kids Who Give program aiming to instil giving culture in younger generations. 15,000 children involved in first year

- Recipients**
- Alzheimer's Disease Research
  - Harry Perkins Institute
  - Parkerville Children and Youth Care

**Fogarty Foundation**  
Established in 2000 by Annie and Brett Fogarty  
Intended to provide excellence in education, leadership, community and in life



Annie Fogarty

- Recipients**
- Manna Inc
  - Mission Australia

**Tony Lennon's stake in Peet worth \$100.9m (as at 14/5/14)**

## Tony and Gwenyth Family Foundation

Established 2006  
Estimated annual distributions \$200,000-\$250,000

- Recipients**
- Ear Science Institute of Australia
  - Duke of Edinburgh's Award



Tony Lennon

### BUSINESSNEWSIQ

**Fortescue Metals Group (FMG)**

Rank	Company	Revenue
1st	Fortescue Metals Group	\$8,444.0m
2nd	Woodside Petroleum	\$6,029.0m
3rd	Iluka Resources	\$856.3m
4th	Mount Gibson Iron	\$864.8m

579 WA listed resource companies ranked by revenue

**Peet (PPC)**

Rank	Company	Revenue
30th	Index	\$233.0m
31st	VDM Group	\$205.0m
32nd	Peet	\$205.0m
33rd	Global Construction Services	\$201.7m

158 WA listed industrial companies ranked by revenue



Stan Perron

Founder and Chairman Perron Group  
Vice-Patron Giving West

### BUSINESSNEWSIQ

**Perron Group**

Rank	Company	Revenue
10th	Bymeccut	\$500.0m
11th	CFC Group	\$500.0m
12th	Perron Group	\$485.1m
13th	CJD Equipment	\$475.0m

55 WA private companies ranked by WA revenue most recent financial year

## Stan Perron Charitable Foundation

Entwined with Perron Group, which owns shopping centres and the WA Toyota franchise, the foundation supports in excess of 100 charitable organisations

**George Jones**  
Shareholding in Gindalbie Metals estimated at \$1m (as at 14/5/14)

## George Jones Family Foundation

- Established 2005
- Recipients**
- Cystic Fibrosis WA
  - Parkerville Children and Youth Care Centre
  - Ear Science Institute of Australia

## Kailis family

Family behind the Kailis Bros group of Companies  
Kailis Bros annual revenue \$540.9m in 2012-13

## Kailis Foundation

- Established 2006
- Recipients**
- Princess Margaret Hospital Foundation
  - Variety WA
  - WA Maritime Museum

## FEATURE GIVING WELL

established has continued to grow at a rate of about 80 to 100 each year.

New South Wales accounts for the largest number of PAFs with more than 400 in operation – a figure that dwarves WA's 95.

WA also lags behind other states when it comes to the number of funds established compared with the proportion of high-income earners; the state accounts for 14 per cent of people earning above \$250,000 in Australia but only 8 per cent of established PAFs.

Mr McLeod said that was because people were still becoming aware of how the funds could be used for more strategic philanthropic giving.

"I think the reason why WA is a little bit lower on those comparison levels is simply because people just don't know about those vehicles as yet," he said.

"It's growing, but at this point the level of knowledge about those sorts of vehicles is not as widespread as it should be."

Mr McLeod said PAFs presented a significant benefit for people wanting to structure their giving in a longer-term manner.

"Most people, if they've got a very large bill, don't want to do all of their charity in one particular year," he said.

"We didn't have the mechanisms for people to be able to do it (before) – it's just a sensible way for people who are in that position of having a large gain in one year but are wanting to do their giving over a long period."

Land developer Tony Lennon is one individual who was motivated to set up a PAF following its legislative introduction in 2001.

"My wife and I obviously had the financial capacity to establish a charitable foundation, and I think that the government establishing the legislation that enabled those private foundations was a wise and strong move," the Peet non-executive chairman told *Business News*.

"It enabled you to establish a solid pool of finance, it could be used to do things in a meaningful manner."

Mr Lennon said bearing witness to the philanthropic efforts of the late Sidney Myer was a major motivator for him to set up The Tony and Gwenyth Lennon Family Charitable Foundation, of which each of the four Lennon children is a trustee.

The foundation aims to distribute between \$200,000 and \$250,000 to charities on an annual basis, but Mr Lennon said there was capacity to give more should a fitting opportunity arise.

To date, key investments have been to the Ear Science Institute of Australia, based at the Harry Perkins Institute, and the Duke of Edinburgh's Award.

According to JBWere's December 2013 report on the rise of PAFs in Australia, distributions from the funds have remained relatively consistent despite economic fluctuations.

Mr McLeod, who authored the report, said that was a good sign for not-for-profit sector.

"The charities are starting to really enjoy them being there because they're regular donors –





## Philanthropists build on dedicated vehicles

From page 23

once the money has been put into these things people can't get the money back out again to buy houses and cars and all that – it's there just to do philanthropy," he said.

An individual would need to contribute at least \$500,000 over time to launch a fund, but the average was around \$2 million.

### STRUCTURED APPROACH

The success of Navitas managing director Rod Jones and his family's various investments has prompted it to make use of the PAF structure and establish a philanthropic foundation.

The family's investment manager, Jon Biesse, said its philanthropy had been undertaken in a fairly unstructured manner in the past, but that was something they wanted to change.

"Part of my job description is to put a bit more rigour around the philanthropy side of things both in terms of managing the cash flow before it's donated, and secondly reviewing philanthropic opportunities, refining them, and then deciding which ones to get involved with," Mr Biesse said.

Mr Biesse said he, Mr Jones' wife, Carole, and her daughter, Natalie, would be trustees of the fund and potential donations would be considered in a similar way as potential financial investments.

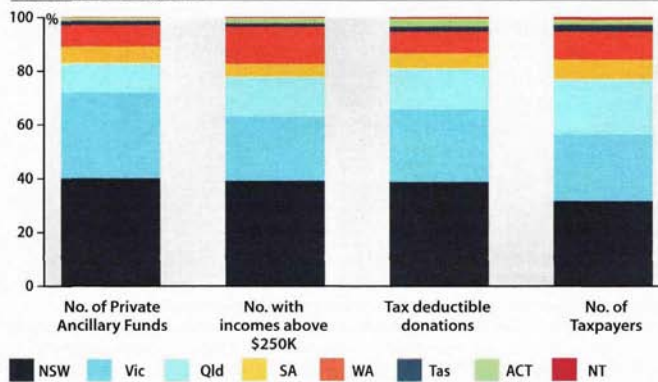
"(Previously) there's not really been any systematic or methodical review of the cost-ratio of the charity that the family is giving to and making sure the money actually gets to the source and where they want it to get to in the most efficient manner," Mr Biesse said.

"My job is doing that for investments so it's a fairly complementary exercise to look



**COOPERATIVE:** Jon Biesse is working with the family of Rod Jones to launch a formal philanthropic fund. Photo: Bohdan Warchomij

### Comparison of PAFs established to high-income earners, deductible gifts and taxpayers by state



at the annual reports and balance sheets of charities and meet with the people and understand how good they are; because it always comes down to people and how good they are at managing their balance sheets."

The fund will be up and running from July 1.

Mr Biesse said deciding which sectors to direct funding to was a process informed by the family's own personal experiences – a common decision-making process among private philanthropists.

### PERSONAL EXPERIENCE

For example, Perth actor Hugh Jackman and his wife Deborah-Lee Furness, have announced a philanthropic fund to support the Western Australian Academy of Performing Arts, where Mr Jackman studied for three years.

Mr McLeod said donating to causes of personal interest was how many private philanthropists began, but that slowly matured as they became more confident in the role.

"I think what happens is for the first few years people are fairly vanilla with what they do; they'll write a few cheques to the same charities they've supported before," he said.

"But after they've got a bit more experience and they've learned a bit more about the field they tend to get a bit more involved."

Mr McLeod said that, as private philanthropy strengthened, those operating private foundations were becoming more innovative in the way they allocated funding.

For example, some foundations had begun collaborating to increase the amount of money provided to a charity, much like the model on which collaborative giving organisation Impact100 is founded.

Mr McLeod also said philanthropists were using their funds as leverage to attract more significant funding.

It was such an opportunity that attracted Tony and Gwenyth Lennon to donate \$250,000 to the Ear Science Institute of Australia.

Continued on page 27



## Philanthropists build on dedicated vehicles

From page 24

Mr Lennon said he was initially asked to contribute to the capital cost of building the Harry Perkins Institute, but indicated he would be more interested in supporting some form of medical research.

The opportunity to support research around building the world's first bio-engineered human eardrum then emerged, which needed private funding in order to secure a federal government grant.

"The catalyst funding appealed to us very much," Mr Lennon said.

"What might be a \$300,000 donation could become a \$900,000 project."

The Lennons subsequently donated \$250,000, which enabled the research team and partners at Deakin University to secure \$415,000 in funding through the Australian Research Council Linkage Project Grant scheme.

"That appealed to the businessman in me ... the funding was doing more than just the amount on its own, that it was actually getting that gearing," Mr Lennon said.

The research team is currently heading towards clinical trials of its technology using silk to mend perforated eardrums.



*If you think it's only the corporates who are giving, then you are missing a huge opportunity* - Joanne Farrell

Mr Lennon said the progress was heartening, but involvement from a donor perspective required patience and trust.

"Medical research of course takes time, so it takes an extraordinary amount of patience," he said.

"It would be wrong to be unduly optimistic about (the chances of success); what you'd hope is that the people involved have a grasp of reality, that they are competent scientists, and that the project does appear to have genuine merit. It's very much a trust thing."