INTO OUR HANDS
COMMUNITY FOUNDATION

Charitable Giving and the Role of Advisers

Professional Advisers have a unique role to assist clients to implement a philanthropic strategy or goal in line with their values. The following package outlines the options and scenarios where providing philanthropic advice to clients may beneficial.

The package also outlines how and when to raise the topic of giving with clients. We hope the package is useful and provides you with more information to meet your clients' needs and financial and life goals.

Top reasons for providing philanthropic advice

- Be able to provide holistic advice for increased client satisfaction.
- Value-add to your skill set and the advice you can provide. Providing philanthropic advice can set you apart from other advisers and can enhance your client relationships and conversations.
- Increasingly, individuals are relying on professional advisers to support them with their charitable giving plans.
- Blending philanthropy advice with overall financial and estate planning strategies can provide greater flexibility and can reduce tax liabilities and provide additional investable assets.
- In partnership with your clients, you are able to have a positive impact in your community and the world through your work.

Support from Into Our Hands Community Foundation

As your local Foundation, Into Our Hands can support the development of your charitable giving knowledge and philanthropic expertise. We can provide information packs, seminars and lunchtime information sessions that will highlight how to have a conversation about giving with clients and the various structures and options available to support clients to realise a giving plan. If you would like to discuss this further, please contact the foundation on ph.: 0466 252 866, info@intoourhandsfoundation.com.au

Please Note

Please note the information in this pack is general in nature, it is not financial advice and does not consider your personal circumstances or objectives. Before acting on any information you should consider if it is appropriate and seek independent financial advice.

The case study illustrations provided are to demonstrate the tax effectiveness of making a tax deductible donation to the Foundation. Other outcomes are possible and any plan should be taken in consultation with your professional advisor.

Giving to a Community Foundation

- Do your clients care about their community, or do they give to more than one charitable cause?
- Are they interested in creating a personal or family legacy, have they talked about a private foundation or setting one up?
- Do they want to receive a maximum tax benefit? And ensure their contributions are managed prudently and locally?
- Are they looking for local charitable giving plan that allows them to be anonymous or private?

If you answered yes to these questions, you may have clients that are interested in giving and who would benefit from working with their local Community Foundation

Why Give to Into Our Hands?
Your Local Community Foundation!

- Into Our Hands is local and works across the North East including the Alpine, Wangaratta and Indigo Shires. We have firsthand experience and relationships of local non-profit, charitable organisations and areas of need.
- Community Foundations are found all over the world and are a sound model for community giving. They provide local people with opportunity to have a say over how community grant budgets are spent.
- We run existing grant programs that you can support! We identify needs and opportunities in our community and invest in projects and organisations that will have a positive impact!
- We provide a personal and flexible service to donors and grant partners to enhance capacity and connections.
- We are transparent and community driven. Through a local Board, the Foundation acts as a guardian of community resources and is able to steward grants in a responsible, effective and agile manner.
- We work across the whole community through partnerships with donors, non-profits, local government and community organisations.
- We provide a structure and mechanism that makes giving easy and accessible for local business, people and families.

For More Information Please Contact

www.intoourhandsfoundation.com.au
Tel: 0466 252 866
info@intoourhands.com.au

Giving Case Study 1: Charitable giving and tax

Giving Trigger points: receiving a lump sum, either from a sale of a business or an inheritance can create tax liabilities.

John and Jenny have sold their successful dry cleaning business several years ago and are now enjoying their retirement.

They manage their lifestyle via a pension from their self-managed super fund together with returns from investments. Jenny earns a taxable income of $100,000 and pays approximately $27500 in tax.

Jenny recently inherited $300,000 from her sister, following her death after a battle with cancer. John and Jenny believe they don't have great need for this money and decide to establish a sub fund in memory of her sister with Into Our Hands Community Foundation.

Jenny is interested in how she can give money through the fund to local cancer services and patient needs as well as other causes that her sister would have supported.

John and Jenny visit their accountant to clarify the tax ramifications of giving through a sub fund.

Goals and Opportunities

Jenny aims to create an endowment fund in memory of her sister and contribute to the fund each year by making donations that will achieve a tax benefit for her and John.

Her accountant advises her:

- She can spread the donation over a period of up to five years. Generally donations cannot create a tax loss.
- The decision to spread the donation must be in writing and specify the percentage (if any) of the donation that will be deducted each year.

Outcome

Jenny works with Into Our Hands to set up a sub- fund in her sister's name. The Foundation supports her to make several grants a year in line with her giving interest areas. This has resulted in Jenny developing a rich and sustainable relationship with local cancer and patient service organisations and support groups who have benefited from her funds.

The table outlines the difference in tax payable by Jenny as a result of making the $300,000 donation to Into Our Hands and spreading the deduction over 5 years:

	No charitable gift made	Charitable gift
	Tax Calculation	Tax Calculation
Gross Income	$100,000	$100,000
Less- gift allocation (spread over 5 years)	$0	$(60,0000)
Taxable Income	$100,000	$40,000
Tax on taxable income	$27,500	$6,600
Overall tax for years 1-5	$137,500	$33,000
		Total saving of $104,500!

Giving Case Study 2: Charitable giving and CGT

Giving Trigger points: Selling assets such as a farm, property or a business can incur capital gains tax (CGT)

Michael, 52 year old farmer, receives an offer to acquire his farming business for $1.5 million dollars.

The farming business is operated by a company and the buyer is happy to purchase the company's shares. The company is owned by Michael and his wife's family trust and has normal share capital.

No proceeds of the sale will be reinvested into a new business venture. Their accountant advises them on tax ramifications of the proposed sale and determines that the trust is eligible to apply for the small business CGT concessions.

Tax payable by company on the sale of business	
Proceeds from sale	$ 1,500,000
Less 50% general CGT discount	$ 750,000
Less: 50% active assets concession	$ 375,000
Less retirement concessions	$ Nil - under age 55
Taxable Income	$ 375,000
Tax rate applicable	Tiered as for individuals
Tax payable by the Individuals (Assuming no other income for the year and average of $50,000- per annum previously)	$ 92,223

Actions

Michael and his wife have always given small regular contributions locally to organisations in the community. To celebrate the sale of the farm and create a lasting legacy through which to give back to the community, they decide to set up a charitable sub fund at the Into Our Hands Foundation with an initial contribution of $200-300,000.

The donation to the sub- fund reduces their taxable income on the sale to $75,000, hence saving a further $80,570 in tax. Therefore, the donation is financed from two sources:

Source	
From Michael and wife from sale proceeds	$ 219,430
From tax savings	$ 80,570
Total gift	$260,000

Outcomes

Michael and his wife work with Into Our Hands Foundation to set up a family sub- fund. The Foundation supports them to develop some giving priorities in line with their values, interests and connections in the community. The fund makes regular annual grants to organisations that enhance, protect and preserve local environments in their community.

Giving Case Study 3: Building a Sub- Fund

Giving Trigger points: giving to charity regularly or more than once a year, community minded, moving towards retirement.

Linda and Max run a successful local business and are very active in their community. They give each year to the hospital and cancer charities as well as the local RSPCA. Together, they donate about $10,000 a year.

They aim to retire in 10 years and worry they may not be able to maintain their charitable giving in retirement. They hear about Into Our Hands Community Foundation and would like to explore how they work with the Foundation to support its growth and development.

They decide to cease their annual giving and contribute $10,000 into a sub- fund with Into Our Hands. They want to grow this fund to about $100,000 or more until their retirement.

Goals and Opportunities

Max and Linda's goals for starting the sub fund include:

- Ensuring they can give and support their local charities in retirement
- To donate funds in a way that creates a sustainable benefit for their charities
- Align their charitable giving and donations to the years when tax benefits will be achieved.

Outcome

Goal	Outcome
Match donations to the best time in life when they can afford to give to charity	**Achieved.**
Participate actively in the community through structured giving now and in their retirement.	**Achieved. Their donation supports the Foundation with endowment building and the existing grants program the Foundation delivers. At their retirement that have a sustainable fund that can give between $5-10,000 a year to local charities from the income it earns.**
Use the tax system to help finance donations and reduce taxable income now while they are both working.	**At the 40% marginal tax rate (excluding the Medicare levy) Max and Linda save approximately $4000 in tax by making a $10,000 donation each year. If they made a similar donation in their retirement years the tax saving might be less. For example at the 15% marginal tax rate, the tax saving would be approximately $1500.**