

Give while you live

Two of the world's richest men recently launched a campaign to attract more than US\$600 billion in pledged donations from US billionaires. Such eye-watering sums seem inconceivable even if it was Bill Gates and investment guru Warren Buffett doing the talking. Regardless of whether they attract others to their cause or not, it is a sign of a growing trend amongst those who can afford to donate to worthy causes to do so while they are alive rather than waiting until death.

A separate report by Merrill Lynch-Capgemini into the activities of the world's wealthy also highlights this change in focus. Not only are the wealthy more likely to give to charities during their lifetime, they are also increasingly treating any \$ handed over as an investment rather than a donation. This means they are interested in how the money is to be used and wish to maintain an involvement with the organisation rather than just hand the money over and walk away.

At the same time the global credit crisis has put a lot of charitable organisations under financial stress as hard economic times have seen donations from the local community drop and government funding come under increased pressure. People have fewer dollars to give and more choices so they want to make sure donations are used wisely.

These trends have interesting implications for NZ charitable organisations wanting to attract donations and provide long term financial security for their beneficiaries. One result has been the increased number of endowment funds established by leading charities.

An endowment fund is generally set up in perpetuity and it is this long term focus which is attractive to people. The best funds are well managed by dedicated trustees and governed by a clear statement of investment policy and objectives. Funds are kept separate from the day to day charitable operations and a typical target is to grow capital to the point where some or all of the charities costs can be met from the income generated. The fund itself is usually exempt from paying tax which allows it to compound and grow far quicker, and donations are normally fully tax deductible and attract no gift duties for those making the contribution.

With the increased demands for transparency, effective management and some ongoing interest from donors an endowment fund provides an ideal vehicle to attract donations from those who wish to "give while they live."

