The Community Foundation for Ireland

connecting people who care with causes that matter

Giving and Gaining Through *Philanthropy*

A Guide to Family and Personal Giving

Foreword

Within The Community Foundation for Ireland, we are witnessing a growing interest in the concept of approaching charitable giving in a more strategic way. Individuals and families are concerned to know if their charitable donations are making a difference; they are interested in getting advice as to how to best invest the money they have available; they want to be facilitated to give effectively, with a minimum of bureaucracy but to the highest standards of governance. They are also thinking about how they might engage other family members in their giving. Perhaps most of all, people who have done well often want to give something back and wish to see deep seated challenges facing Irish society addressed in such a way that their support makes a difference.

We have prepared this guidance to assist families and individuals, those who are already involved in philanthropy or are interested in getting started, in a practical way. It is also intended that the guidance will be a useful resource for professional advisors who have such an important role to play in supporting their clients along their chosen philanthropic path.

The Community Foundation for Ireland plays its part in promoting greater philanthropy in Ireland through a number of initiatives including the Philanthropist of the Year Awards and issuing tools and resources for everyone in the community, such as this report on family philanthropy. Additional resources are available on our website www.communityfoundation.ie and are also listed in Section 8 of this report. If you want general advice or are interested in setting up a fund at The Community Foundation for Ireland, please feel free to contact us to have a chat at any stage.

Tina Roche,

Chief Executive,
The Community Foundation for Ireland

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SECTION 1: TRENDS IN PHILANTHROPY

"To give away money is an easy matter and in any man's power. But to decide to whom to give it, and how large, and when, and for what purpose and how, is neither in every man's power nor an easy matter."
Aristotle (384-322 B.C.)

1.1 Philanthropy in Ireland

Increased philanthropic giving – in particular in planned and committed ways – could make a significant difference across many areas of society in Ireland. Although never a substitute for state funding and investment in core services, philanthropic investment provides much needed funding in these straitened times. It can support the delivery of innovative and effective initiatives in health, education, the arts and many other strands of Irish life, making a difference to the lives of individuals, families and communities.

Ireland has a "proud tradition of giving"[1] and the lion's share of the €500m given to charity each year is given by individuals and families. Despite the economic recession, the proportion of the population giving to charity is consistently very high in Ireland. "Compared with a mere 58% in the UK or 40% in Germany, 89% of Irish adults give to charity. In other words, only about one in ten Irish adults do not give to charity"[2].

So why the current interest in growing philanthropy in Ireland, notably through The One Per Cent Difference Campaign[3]?

Despite such high levels of participation in giving, the levels of giving in Ireland tend to be low. With only 0.8% of income donated to charity in Ireland, this ranks well below the 2% of income donated in the US. In many countries with a similar government philosophy to Ireland, people are donating more than 1% of their disposable income[4]. It has been observed that Ireland's strong tradition of spontaneous giving has not kept pace with recent affluence and that notwithstanding the economic downturn of recent years, "all evidence confirms untapped potential for philanthropy among the wealthy Irish families"[5]. In addition, two of the largest philanthropic trusts will cease funding by 2016 making a significant dent in the philanthropic funding available to the non profit sector.[6]

It is not only what people give that is of relevance, but also how they give. Giving in Ireland has been characterised by spontaneous giving channels such as street collections and fundraising events. Planned giving

[1] Forum on Philanthropy and Fundraising Report, 2012, p. 8
[2] Philanthropy in the Republic of Ireland, McKinsey & Co, 2010, p. 5-6
[3] The One Per Cent Difference National Giving Campaign which was launched in June 2013 aims to increase private giving in Ireland by ten per cent year on year to 2016
[4] Forum on Philanthropy and Fundraising Report, 2012, p. 9
[5] Philanthropy in the Republic of Ireland, McKinsey & Co, 2010, p. 8
[6] The One Foundation is winding up in 2013 and The Atlantic Philanthropies will cease funding by 2016

includes direct debits and standing orders. Only 15% of people give in a planned way in Ireland, compared to 36% in the UK[7]. Research demonstrates the benefits of planned giving from the perspective of charitable causes. Planned donations are on average five times greater than spontaneous donations[8] and the lifetime value of supporters giving in this way is estimated to be six to eight times higher than the cash alternative[9]. Ireland also has the smallest number of charitable foundations in Europe and donor advised funds are still only emerging as a way to give. Donor advised funds are vehicles for individual, family or business charitable giving, administered by a third party (such as The Community Foundation for Ireland) and are designed as an alternative to direct giving or setting up a charitable foundation (see Section 3 for additional information). Legacies and bequests are also an important form of planned giving and are discussed in Section 4 of this report.

An additional challenge is that the terms 'philanthropy' and 'philanthropist' tend to conjure up mixed perceptions in Ireland. Attitudinal research commissioned by Philanthropy Ireland[10] revealed that 52% of people in Ireland have never heard of the term 'philanthropy' and just a quarter know what the term means. When asked how much someone would have to donate to be a 'philanthropist', the survey found that the average amount was €130,000. Although the Irish see themselves as a nation of givers, "the positive embrace of philanthropy only extends to the smaller donations made by the majority of the population. By contrast, the general public and the media tend to be distrustful of the large scale philanthropic activities of Ireland's wealthy"[11]. A stated aspiration of the One Per Cent Difference Campaign is to "underscore the legitimacy and value of philanthropy" and "to instil a culture of giving into Irish society"[12].

These factors combined, underpin the growing interest in encouraging more strategic, engaged and planned giving in Ireland. Through its suite of giving options, The Community Foundation for Ireland facilitates such giving and works with donors to optimise their philanthropy.

1.2 Trends in personal and family philanthropy

In this guide, family philanthropy is taken to mean the adoption of a planned and structured approach to charitable giving on the part of a family, which could include setting up a family foundation or a family fund (such as a donor advised fund at The Community Foundation for Ireland). Many people choose to give as individuals without involving family members and most of the guidance in this report also applies to individuals giving in a personal capacity.

[7] Forum on Philanthropy and Fundraising, 2012, p. 9
[8] Philanthropy in the Republic of Ireland, McKinsey & Co, 2010, p. 6
[9] McKinnon, 1999 (Cited in Sargeant and Shang, Growing Philanthropy in the United States, 2011)
[10] Research into Awareness and Understanding of Philanthropy in Ireland, Behaviours and Attitudes, 2011
[11] Philanthropy in the Republic of Ireland, McKinsey & Co, 2010, p. 4
[12] Forum on Philanthropy and Fundraising Report, 2012, p. 12-13

Overall trends in philanthropy

The last two decades have been a time of significant wealth creation with a surge in the numbers of high net worth individuals in the world. Despite economic recession, philanthropic giving is proving to be resilient prompted perhaps by a questioning of the era of 'conspicuous consumption'[13]. How people have made their money has been shifting dramatically. Just twenty five years ago, four fifths of the wealthiest individuals in the UK had inherited their wealth, and one fifth were self-made, but the past few decades have seen a complete reversal of this ratio[14]. It has been noted that a key defining feature of Irish wealth is that it is first generational by nature and more entrepreneurial than many other developed countries[15].Wealth that is self-made rather than inherited tends to have a positive effect on philanthropy. Entrepreneurs and the companies they lead are more inclined to give to charity[16].

Linked to such wealth creation, is a significant global, inter-generational transfer of wealth. From 1998 until 2052, 'baby boomers' and the Second World War generation will pass on their estates to their heirs and charity. In the US alone, this wealth transfer is estimated to be worth $41 trillion, with $6 trillion being bequeathed to charity.

The ways in which people give are changing with a wide range of giving options and approaches to philanthropy emerging, including donating on-line and mobile donations, facilitating micro donations which were previously too costly to process. There is also a wider range of philanthropic approaches ranging from more conventional grant making approaches and community philanthropy, through to venture philanthropy and social investment.

If Ireland mirrors trends in demographics and philanthropy elsewhere, notably in the UK and the US, we are likely to see a sea change in charitable giving resulting in sustained, higher levels of giving by a greater number of individuals and families in the coming years.

Trends in family philanthropy

a. The growth in planned and committed giving amongst families

One of the most significant trends in the world of philanthropy is the growth in the number of families participating in philanthropy, with many individuals and families approaching their charitable giving in a more structured way, as demonstrated by the huge growth in family foundations and donor advised funds.

It is estimated that there are 30-40,000 family foundations (charitable trusts or foundations) in North America

[13] New Philanthropy Capital
[14] www.wealth.barclays.com/en_gb/home/research/research-centre/wealth-insights/volume-17/a-changing-wealthlandscape.html
[15] Bank of Ireland Wealth of the Nation Report, 2007
[16] www.fidelitycharitable.org/docs/Entrepreneurs-and-Giving-Executive-Summary.pdf

(donating around $12bn on an asset base of $195bn[17]) and that the number grew by 1000 per year since 1990. In the UK, there are over 8000 grant making foundations and the total giving of the largest one hundred UK family foundations is over £730m[18]. With only about thirty active grant making foundations in Ireland, the number of foundations lags far behind the European average[19]. If Ireland were to reach the European average (which is around twenty charitable foundations per 100,000 inhabitants), it would have over 800 such foundations.

The other significant trend in terms of structured giving is the huge increase in the number of families setting up a family or donor advised fund. A donor advised fund is a charitable giving vehicle administered by a third party (such as The Community Foundation for Ireland) and created for the purpose of managing charitable donations on behalf of an organisation, family, or individual. Donor advised funds are the fastest growing charitable giving vehicle in the USA with over 175,000 such accounts, up 34% since 2009. There has also been a significant growth in donor advised funds in the UK. Although donor advised funds have come on stream in Ireland over the past decade, they are still relatively unknown as a giving vehicle.

b. Ways of giving

People increasingly want to give earlier and often during their lifetimes, optimise the impact of their donations and be engaged in giving. The best known example is the Bill & Melinda Gates Foundation (which is designed to spend down its capital within 50 years of the death of its last founder). The two largest philanthropic funders in the past decade in Ireland, The Atlantic Philanthropies and The One Foundation, are also spend down foundations[20]. One of the strongest trends to emerge in philanthropy in recent years is "the increased desire of individual donors to become far more strategic in the way they distribute their largesse[21], with donors becoming more strategic about the way they give and taking an informed, planned and targeted approach to funding. There is also a trend towards collaborative giving, with donors often funding as part of a wider circle or network of donors.

c. Managing generational succession

There is a growing trend for parents to want to involve their children in their philanthropy. Historically, the focus of family philanthropy tended to be on legacy – increasingly the legacy parents are most interested in leaving is a next generation with good civic and moral values. Through engaging their children in philanthropy many parents wish to avoid 'affluenza'—the dissatisfaction that is said to come from the excessive pursuit of a material life—and the negative effects of burdening children with excess wealth. Succinctly captured by Warren Buffet when he said: "people should leave their children enough money so that they would feel they could do anything but not so much that that they could do nothing."

[17] Foundation Center, 2005
[18] UK Family Philanthropy Giving Trends, 2012
[19] Philanthropy in the Republic of Ireland, McKinsey & Co, 2010, p. 8
[20] One Foundation ceased funding in 2013 and The Atlantic Philanthropies will finish its grant making by 2016
[21] Fair Shares, Financial Times, Sep 28th 2012

d. Donor services

Increasing interest in taking a more strategic and engaged approach to philanthropy has prompted the emergence of a range of services tailored to donors' needs. Such intermediaries play a critical role in mobilising more resources for philanthropy by establishing links between donors and recipients, providing information, advice and vehicles that allow donors and recipients to interact in a productive, trustworthy and efficient manner. Some intermediaries, such as The Community Foundation for Ireland specialise in philanthropy; while professional advisors often include philanthropy as part of the suite of services they offer to their clients (see Section 5 in relation to Professional Advisors).

SECTION 2: GETTING STARTED

2.1 Why get involved?

"There is an immense diversity of starting points for, and influences on, involvement in family philanthropy… Family philanthropy does not have a single motivation, and often results from a number of relevant events coming together, including wealth acquisition, contact with philanthropic services or philanthropists, seeing a need or an opportunity, and wanting to pursue new directions in life"[22]

Deciding to take a new approach or thinking of involving other family members in your charitable giving may be prompted by a number of factors including[23]:

- **An opportunity has arisen** - Perhaps you have had a windfall gain through the sale of a business or an inheritance and feel you would like to 'give back' a bit more? Or maybe your children are on an independent path freeing up some of your resources?
- **Frustration with your current giving** - Maybe you feel that your current charitable giving is somewhat ad hoc, without any overall strategy, and that, accordingly, it is very difficult to assess its impact or effectiveness? Or you may feel that you are approached by numerous good causes and fundraisers, but that you would like to adopt a more selective and strategic approach?
- **Engaging your family** – Maybe you would like to pass on a spirit of giving to the next generation or continue a family legacy? Perhaps you want to pass on the stewardship of wealth to the next generation but not direct wealth, for fear of stunting motivation and achievement? Maybe there are members of your family that you would like to remember through your philanthropy, for example, a family member who suffered illness, or who was passionate about education for the next generation of the family?

[22] Family Foundation Giving Trends, Cathy Pharoah with Charles Keidan and Jillian Gordon, 2011
[23] Draws on insights from The Philanthropic Initiative and Philanthropy Ireland

- **Bring family closer** – Could engaging other family members in your philanthropy be a good way to bring family closer, especially as they become geographically separated or after the sale of a family business or a divorce? Would you like to give your family an opportunity to test and articulate shared values, to define what the family stands for as a group, and to have the satisfaction of giving together?

If on the basis of these, or other reasons, you decide that you would like to adopt a new approach to your charitable giving, there are a variety of ways to give which are discussed in more detail in Section 3.

However it is worth noting that family philanthropy can also bring challenges: "If not properly managed, family philanthropy can give rise to emotions that can lead to family conflict" and there are a number of areas for families to think about to avoid such conflict arising including[24]:

- Talking about philanthropy as family to get a sense of what people think the family stands for and who is interested;
- Determining the criteria for inviting family members to participate (e.g. what age children are formally included and on what basis spouses, partners/siblings/friends are involved);
- Establishing guidelines for how often and how much you are going to give (and writing things down to avoid the possibility of different family members remembering different things);
- Clarifying roles and responsibilities to avoid misunderstandings and where relevant considering involving an independent professional adviser (see section 5 on professional advisors);
- Encouraging formal as well as informal discussions and giving everyone a voice.

2.2 Where to begin?

Getting off on the right foot is key to ensuring that family philanthropy is effective and rewarding. Steps to take might include[25]:

a. **Identifying the goals and the shared "dream".** Any definition of success is relative to purpose, and so it is with family philanthropy. The initial dream may be as diverse (and typically as broad) as "bringing the family closer together" to "passing on philanthropic values and the spirit of giving to the next generation" to "leaving a legacy in our community" to "making a difference on issues of importance to family members." The "dream" for a family philanthropy will in all likelihood change over time as the family gains more experience giving together. Gifts should reflect the family's highest values, greatest interests and deepest passions; and be unafraid to think big and risk occasional failure.

[24] Coutts Philanthropy Handbook
[25] Draws on The Philanthropic Initiative's Family Philanthropy Primer

b. **Developing structure but retaining flexibility.** Rather than thinking "this is just family", most family philanthropic initiatives benefit greatly from establishing some agreed upon structure in such areas as: who makes the decisions; how are decisions made; how often will we meet; what information do we want from potential grantees; what kind of reporting/accountability do we want from the projects we support. However, the structure which is selected should be flexible enough to respond to changing needs and opportunities.

c. **Focusing on philanthropic impact.** Families that make a significant impact are likely to have developed a focus for their giving in terms of an issue, a cause or community, continuously learn about the issues and needs they care about and consider each philanthropic donation as a serious investment. They often go "beyond the money" by developing a personal or family engagement in the field and view grant recipients as partners. They keep a vigilant eye on desired outcomes and results and are willing to learn from positive and negative experiences.

Questions to assist individual family members discover what they would like their family philanthropy to achieve?

What values are important to you and your family?

What areas would you like to support?

In the last 12 to 18 months what causes did you support?

Is there a project you always thought that, if you had the funds, you would like to initiate?

Is there a cause you really want to support in a strategic way?

Do you want your children engaged in donating to their favourite causes?

How important is it that you do this as a family or an extended family?

Would you like your fund or foundation to be anonymous or to have your family name or another name?

SECTION 3: HOW TO GIVE

"The most rewarding philanthropy is thoughtful, strategic and has impact. At the same time, the most rewarding family philanthropy reflects the shared values and interests of all the family members who are involved. Combining these goals successfully requires careful planning, a process crafted for your family's needs and commitment on the part of family members to personal involvement." [26]

3.1 Giving options

There are many ways to give ranging from the informal, where a family might meet on an ad-hoc basis to discuss which non-profit organisations to support, through to setting up a more formal structure such as a foundation or a donor advised fund. Philanthropy can take many forms but the main options for individuals and families are:

- To give directly
- To set up a charitable trust or foundation
- To set up a family (donor advised) fund
- To make a legacy (see Section 4)
- Any mix of the above

3.1.1 Giving directly

Most people will have given directly to charities, either on a once off or regular basis. This approach works well where you may only have a small number of transactions and where you wish to support the same non profit organisations over an extended period. It is also the most appropriate way of giving for smaller scale charitable giving where the level of giving would not justify any administrative costs and is manageable for the donor.

3.1.2 Setting up your own foundation or trust

The family foundation model provides a formal structure for grant making and is often adopted by families whose philanthropy is significant in scale and longevity. Setting up a foundation allows maximum flexibility in choosing the areas the family wishes to support and flexibility in the approaches taken to philanthropic investment. However, it also requires a commitment of time and resources. The majority of philanthropic

[26] Giving Together: A primer for Family Philanthropy, The Philanthropic Initiative

organisations in Ireland are established as a charitable trust or as a company limited by guarantee and not having a share capital[27]. Startup costs (including legal and tax advice and set-up costs) will vary based on the size of the foundation but are typically between €10k-50k. Given the level of administration and the ongoing time commitment involved in establishing and running a foundation, it may not be a viable option unless a significant donation is made. Although some philanthropic organisations spend less than €50,000 a year, most will spend above €200,000 per annum[28].

3.1.3 Setting up a donor advised family fund

Donor-advised funds are philanthropic funds managed by a third party on behalf of a donor /family, who prescribe how the monies are to be disbursed. Such funds make structured family philanthropy accessible and manageable. The philanthropic organisation takes care of legal requirements and administration of the fund. A donor advised fund is an ideal vehicle for charitable donations in excess of €25,000. The advantages to this approach include:

- Saving time and money (there are no set up costs) by handing over the legal and administrative responsibilities to an established organisation;
- Accessing the expertise of an existing philanthropic organisation;
- Availing of the philanthropic organisation's charitable status so that you can give tax efficiently and with immediate effect;
- Protecting your privacy and anonymity;
- Accessing feedback, including outcome reports and project assessments;
- Gaining experience of planned giving, should you decide to set up your own foundation at a later date.

A donor advised family fund is also a great way to 'pass on the torch' in terms of engaging your children or other family members in giving. Many families choose to engage the younger generation in their philanthropy from a very early age, and there can be real benefits from this including bringing the family together around shared values, interests, passions or concerns; giving young people a focus, a sense of purpose and a wider understanding of the world around them and aiding the intergenerational transfer of wealth.

Donor voice

"People who have made some money or a lot of money themselves generally had very little time during their working lives to consider the needs of others. It is only as you get older in life that you begin to realise these things. I think, when you and your family are provided for, there is a duty to be helpful to others in a financial way. As well as giving to charity, there is always a need for financial help for people involved in local community efforts in their own areas as they often find it very difficult to raise funds for what they are doing. So when I came across The Community

[27] For additional information see Philanthropy Ireland: Guide to Setting up a Foundation in Ireland
[28] Philanthropy Ireland: Guide to setting up a Foundation in Ireland, p. 8

Foundation for Ireland I thought that this was an ideal and very tax efficient way to channel funds to local efforts among one's own community. There are some people who may think the preferred route is setting up their own Trusts but one must look to the future. Trusts are things that have to be managed, and in time to come, future generations may not thank you for putting this burden on them. I find that The Community Foundation for Ireland has worked very well for me so why bother putting the imposition of a Trust on your family?"

In 2004, Jim Callery, a successful Roscommon entrepreneur, and his family set up a philanthropic fund through The Community Foundation for Ireland. It is primarily targeted at projects in his native Roscommon.

3.1.4 A combination of approaches

Frequently individuals or families may adopt a mix of approaches in how they manage their charitable giving, often depending on the stage they are at in their lives. Increasingly, The Community Foundation for Ireland is collaborating with family foundations where the two foundations are interested in supporting the same area of interest. By combining resources, larger scale support can be given. It is not only in terms of financial support that such uplift is achieved – collaboration often leads to greater ambition and outcomes beyond the sum of the direct financial contribution. Where a family foundation wishes to remain anonymous in Ireland or may not have its own administrative resources, it can also prove effective to partner with The Community Foundation for Ireland and draw on The Foundation's expertise in grant-making at a grassroots level.

Collaborative philanthropy

The Tony Ryan Trust was established in December 2009 by the estate of the late Tony Ryan. The Trust recently decided to provide €1m in funding over a two year period to organisations that seek to improve the life experience of children and young people living in County Tipperary. To do this effectively, The Tony Ryan Fund for Tipperary donor advised fund was launched in May 2013 and is being managed by The Community Foundation for Ireland. The Fund awards grants to initiatives that support children and young people to reach their potential, with a focus on community programmes that have proven evidence behind them. In this instance, The Community Foundation for Ireland had the infrastructure in place to effectively deliver an initiative at a county level on behalf of The

Tony Ryan Trust. The Foundation takes responsibility for all administration, grant making and governance in relation to the Fund and the work aligns closely with other strategic initiatives which are being undertaken by The Community Foundation in relation to early education.

3.2 Giving through The Community Foundation for Ireland

The Community Foundation for Ireland is a one stop shop for donors engaged in strategic and purposeful philanthropy. We ensure that our donors' charitable donations support the causes which they care most about and achieve real impact in communities throughout Ireland. One of the great strengths of a community foundation is that it is responsive and flexible around individual donor's needs. The Community Foundation for Ireland works with individuals, families and corporates who wish to have the independence and control which comes from having their own donor advised fund, coupled with the services which the Foundation provides to its donors. The Community Foundation for Ireland takes a long term view in relation to philanthropy. We recognise that people choose to give in different ways at different stages in their life. We offer a suite of different giving options which include:

- Setting up a donor advised or family fund as a current or endowed fund (see section 4 in relation to endowed funds);
- Facilitating once off or periodic donations;
- Supporting key thematic funds at The Community Foundation for Ireland, including The Women's Fund and The Older Person's Fund;
- Setting up a legacy (see section 4).

How does a family/donor advised fund work?

Community foundations are pioneers of Donor Advised Funds which provide many of the same benefits to a donor as a private family charitable foundation (including all tax reliefs) but donors are also able to access the community foundation's grant making expertise, due diligence, monitoring and reporting processes.
So how does it work?

- A donor makes a gift to The Community Foundation for Ireland (in cash or shares) and chooses whether to set up a flow through (current) fund or a permanent endowed (long term) fund, or a mix of both (see Section 4 for more information on endowed funds);
- The Community Foundation for Ireland sets up a donor advised fund in a chosen name. Management fees are agreed up front and there are no hidden charges[29];
- Following recent changes in relation to tax relief for charitable donations, the tax relief on that

[29] The Community Foundation for Ireland charges a 1% fee on endowments and a fee of 8% normally applies in respect of flow through (current) funds (in line with the level of work involved)

donation accrues directly to the Fund;

- The donor identifies the cause(s) which they would like to support and The Foundation's staff will assist in identifying relevant non-profit organisations and projects to support, ensuring that the money goes to the project where it can make most impact;
- The Foundation handles administration and issue grants in the name of the fund or anonymously (as the donor chooses);
- The donor receives agreed feedback and outcome reports so that they learn from their grantmaking and we also keep them informed of relevant developments in their field of interest to help inform their philanthropy in the future;
- The donor can choose to increase or reduce their level of grant-making periodically based on their time and financial demands.

Donor voice

How did you first become involved in philanthropy?

"I first became interested in philanthropy when I realised that giving was not giving back to me. Giving money, as we do by standing order or something like that, wasn't enough and was a little meaningless. So I decided to get more structured and more involved."

Why did you decide to set up a family fund at The Community Foundation for Ireland?

"As our children grew up, naturally they were aware of our philanthropy but we wanted them to have their own involvement, separate from ours so that they can make their own minds up and become more sensitive to the outside world. So we decided to set up a family fund and our children have complete control over it. The Community Foundation is a wonderful tool in particular for the family fund. It is like giving them another set of parents; a structure that they can work with and grow in. It is a one stop shop for everything to do with charity. For someone who doesn't know where to turn – who to give to or how, it is absolutely perfect."

What advice would you give someone who was thinking of getting involved in philanthropy?

"If someone was thinking of getting involved in philanthropy my advice to them would be to get involved, to grab the opportunities that come to them and to follow their hearts."

Donor, with a family fund at The Community Foundation for Ireland

Tax relief on donations to charity

Key Features of the Revised Scheme in relation to tax relief on donations to charity (which took effect on 1st January 2013):

- Tax relief in respect of donations made on or after 1 January 2013 by individuals (whether self-assessed or PAYE-only taxpayers) to an approved body is allowed to the approved body rather than to the donor at a blended rate of 31%;

- An annual limit of €1million per individual can be relieved under the revised scheme and donations under the scheme are no longer subject to the higher earner restriction;

- In the case of a donor who is "associated" with the charity (employee, board member, member etc.) the limit for tax relief on donations to a maximum of 10% of annual income continues to apply;

- In the case of a donor advised fund at The Community Foundation for Ireland, the tax relief will accrue directly to the fund. For example, a donor makes a donation of €10,000 to their donor advised fund. If eligible, the tax relief, grossed up at 31% on that donation will accrue directly to the donor's fund (once it has been claimed back from the Revenue Commissioners) resulting in a revised balance of €14,493 in that fund to disperse to charitable causes;

- The amount repaid to an approved body for any tax year cannot exceed the amount of tax paid by the donor for that year.

See www.revenue.ie/charities for additional information.

SECTION 4: LONGER TERM PHILANTHROPY

"All of us, if we are reasonably comfortable, wealthy and safe, owe immense debts to the past. We can only pay those debts by making gifts to the future."[30]

4.1 The Power of Endowment Funds

An endowment fund is a long term philanthropic fund, of which only the earned income can be spent. Community foundations worldwide have adopted an endowment fund building strategy to create "community capital". Since 2000, The Community Foundation for Ireland has built an endowment fund of over €33 million with the support of donors. The model is particularly suited to people and organisations (for example, a family business) taking a longer term perspective on their philanthropy. Some people establish family funds by way of endowment simply because they have spare capital, some to involve their children and pass on philanthropic values, others seek to remember their parents or another family member; or simply, to make a difference in an area of particular interest to them, e.g. the environment or homelessness.

Donor voice

How did you first become involved in philanthropy?

"Over the years, people would ask me from time to time to give money to this or that cause and even though they were all good causes, it did strike me occasionally that I had no idea why I was giving money away, what I was giving it for, what happened to the money and indeed what effect, if any, it had. I first became involved with The Community Foundation for Ireland because I knew someone from The Foundation and what the organisation did. I had a particular project which interested me so I was able to set up a fund and The Community Foundation basically ran the fund for me and it worked really well. While I had it, I then decided that anything else I did I would run through The Community Foundation so it would all be in the one place."

[30] Jane Jacobs, Canadian Author, Cited in Your Guide to Personal and Family Philanthropy, The Winnipeg Foundation

Why did you choose to partner with The Community Foundation for Ireland?

"To my knowledge, The Community Foundation for Ireland is the only Irish organisation with such a wide remit that has the concept of an endowment. A simple example being; if somebody has a certain lump sum of money, they can commit to putting it in an account and it stays there as an endowment, which means that the interest only is spent but the actual sum stays there forever. It is a very solid infrastructure and is well maintained and you can fairly well predict, in as far as you can predict anything, that in ten, or twenty or fifty years' time it will still be there. I like that concept. Even though it means that money is not given away in year one, it means that you are much more likely to have a sustainable stream of income and that helps projects not to fizzle out. In my experience, a lot of things start in great enthusiasm and then the money wears out, with no ongoing system to keep the thing going. The concept of endowments, which The Community Foundation for Ireland largely promotes, is an important one."

What are the benefits from partnering with The Community Foundation for Ireland?

"I found that with The Community Foundation you have an infrastructure there of people who can advise you and they challenge you a bit as to why you are doing something. Every so often you can sit down with your advisor and see what you have accomplished. They also have the resources to actually help monitor and measure things so that you can actually see where the money is going …somebody outside, some independent person tells if it is doing any good or not."

What advice would you give someone who was thinking of getting involved in philanthropy?

"The one piece of advice I would give is to think about why you are doing it because whatever you are doing, it is probably costing you money and with most things that people spend money on, they would like to think that they are getting something for it and that there is some reason for doing it. Not to be just passively giving it away ... to decide why you are doing it, what you are trying to accomplish and then to check afterwards has anything actually been achieved."

Donor, with a family fund at The Community Foundation for Ireland

How does an endowed fund work?

An individual or family can establish their own endowment fund under the banner of The Community Foundation for Ireland. The fund can be named or anonymous. They simply allocate a sum of money – usually a minimum of €25,000. There are no set up fees, no need for trustees and no subsequent annual invoicing or audits. Everything can be organised literally overnight. A written agreement is completed between both parties and the administration and management of the fund is handled by Foundation staff. The donor decides how the income is then distributed. The Community Foundation for Ireland receives 1% from the interest earned which covers all its work. As a not-for-profit organisation, the costs are kept to the absolute minimum.

Donor voice

"I see the important contribution the endowment fund income makes for so many groups and this inspired me to set up the fund."

Harry Byrne, a retired senior Guinness Ireland executive, is a former board member at The Community Foundation for Ireland. His daughter, Alison - a doctor - tragically died in her thirties. Harry has established The Dr Alison Byrne Fund in her memory which now supports medical related projects.

4.2 Leaving a legacy

A legacy is when you leave a sum of money in your will to a charitable cause. Some people leave their entire estates, but most leave a modest sum. In Ireland when people pass away, typically over 40% have made a will, and of these 10%-12% include a charitable bequest[31].

However much you choose to leave is up to you. Every legacy counts, no matter how large or small. Perhaps you already have a favourite charity. Maybe there are several you would like to support. Or maybe you've always wanted to give money to a cause, but have never been able to, because of the pressures of everyday life and looking after family.

There are two types of legacy you can leave in your will. Through a residuary bequest, you make provisions for your nearest and dearest first, then leave the remainder, or part of the remainder of your estate to one or more preferred charities. Through a pecuniary bequest you state in your will that a specific sum of money will go to a particular charity, or charities of your choice.

[31] Realising the power and potential of Charitable requests, The Community Foundation for Ireland, 2010

Arranging a legacy couldn't be simpler. If you avail of the services of a professional such as an accountant, solicitor, private banker or other financial advisor, then talk to them about leaving a gift - and the tax benefits associated with planned giving. If you don't currently avail of such services, The Foundation would be happy to introduce you to a suitable professional if required.

People can include The Community Foundation for Ireland in their will and help to establish a permanent charitable fund for the community, their county or for any other important causes of concern.

Legacy options through The Community Foundation for Ireland

It may be relevant to think of The Community Foundation for Ireland where:

- An individual or family is interested in a cause, but unsure which specific charity to support. An option is to include The Community Foundation in their will to support an issue or cause that they are passionate about through an existing thematic fund (for example, The Women's Fund for Ireland or The Older Person's Fund) or to establish a new fund, for example in, the area of homelessness, the arts, sport, environment, LGBT.
- A simple and effective approach is to bequest the Permanent Endowment Fund for Ireland, which will help ensure that whatever social challenges Ireland faces, The Community Foundation's Board and expert grant-making committees will have the capacity to respond to those challenges.
- If an individual wants to support a specific charity by setting up an endowment fund for that group, the endowment fund could be hosted under the umbrella of The Community Foundation for Ireland with the income designated to that charity.
- An individual wants to bequest a gift to a specific cause but does not know what challenges will face that cause in the future and whether the current charities/projects available to support will always be the most appropriate ones. For example, someone who is passionate about the environment may want to ensure that their legacy will be used on the environmental challenges of the time.

Donor voice

"I believe in the aphorism of James Connolly: 'Ireland apart from her people means nothing to me.' I want to invest in improving the lives of Irish men and women after my death. I feel that The Community Fund for Ireland is an excellent organisation that will support a diverse range of projects - large and small - in Ireland. It has an impressive track-record."

Donor with a legacy to The Community Foundation for Ireland

SECTION 5: PROFESSIONAL ADVISORS AND FAMILY PHILANTHROPY

"There is a significant potential market for philanthropy advice. Not only are people giving more, but they are also giving more thoughtfully, and are willing to put money and effort into making the most of their philanthropy. These trends make the demand for advice more likely" [32].

Introducing your client to philanthropy

Professional advisors, including solicitors, accountants and financial advisors, are in an ideal position to reach and advise existing and potential philanthropists and offering philanthropy advice can be beneficial for both advisors and their clients. Good advice can help philanthropists to clarify their objectives and review their past giving. It can help to increase their knowledge of areas and need and build confidence in what they fund. For bankers, solicitors, family offices and other advisors, offering philanthropy advice can deepen the relationship with clients and their families and enhance the firm's brand.

With some clients, a conversation about philanthropy may come easily as part of the business and estate planning process. With others, there may be an opportunity for the professional advisor to initiate discussions about philanthropy, often in tandem with discussions about vehicles for giving, wealth transfer and tax relief. Significant giving opportunities often arise when clients are making major business, personal and financial decisions.

UK Community Foundations have developed an interactive tool for professional advisors to use with their clients called the Philanthropy Wheel[33]. The Philanthropy wheel has two sides. The first side relates to a client's personal style of giving which is generally influenced by six factors –

a. **Personal motivations:** These are the strongest and most enduring influences to a persons' giving. These are the issues that bring them to philanthropy

b. **Degree of involvement required:** The time and interest your client has available to give to their philanthropy. Also is the client interested in the opportunities to be gained in networking with other donors?

c. **Risk tolerance:** Does your client have a preference for testing tried and tested models and organisations or would they wish to support something that is new, innovative, entrepreneurial and potentially risky?

[32] The Business of Philanthropy, New Philanthropy Capital, 2010, p. 14
[33] UK Community Foundations: www.ukcommunityfoundations.org/philanthropy_services/philanthrophy_wheel/

- **d.** **Kind of journey**: Does your client want only to support a project where the outputs and outcomes are known from the start or are they open to also supporting a process such as a community consultation?
- **e.** **Desired impacts:** Does your client wish to see an immediate impact in the community with some short-term funding or are they interested in tackling an issue over many years (for example establishing an endowment to support it)?
- **f.** **Personal reward:** What are the most rewarding aspects of philanthropy to your client?

The second side relates to investment decisions and choices and includes charity versus philanthropy, focus, scale, types of funding and risk.

The Community Foundation for Ireland works closely with professional advisors to provide expert advice on how to better plan charitable giving with their clients. Community foundations provide support, information and expertise in charitable giving and philanthropy. The Community Foundation for Ireland currently has a network of over 2000 professional advisors across Ireland and in 2008, established a sub-committee of the board, made up exclusively of professional advisors, to focus on philanthropy – a first for Ireland. This initiative was in response to the need for greater sharing of information and exchange of knowledge amongst those who feel that philanthropy advice will be an essential component for trusted advisors going forward. It is hoped that building a 'community of philanthropy experts' will, in turn, result in philanthropy becoming a more intrinsic aspect of advice to clients in the future. Members of this advisory group represent all areas: law, tax, accountancy, investment and wealth management.

SECTION 6: FAMILY BUSINESSES AND PHILANTHROPY

"The presence of family values in a business setting, the commitment to stewardship through the generations and the balancing of long term objectives against the requirements to generate short term profit, are features that appear to predispose family businesses towards being philanthropic and socially responsible … family businesses are natural philanthropists"[34].

Family owned and managed businesses frequently make a distinctive philanthropic contribution based on their unique characteristics, experience and loyalty and often deep commitment to their local community. They are engrained in their local communities and as owners feel a real responsibility to the values their communities stand for.

Family businesses have been found to make an essential contribution to the UK community and voluntary sector and that is very much the case in Ireland as well. Family businesses are estimated to account for up to 75% of all enterprises in Ireland and for 50% of employment in the private sector[35]. After the difficult recessionary period of the last five years, family businesses in Ireland are looking to grow over the next five years[36]. 52% have grown in the past year (compared with 65% globally) and 77% are aiming to grow over the next five years. Irish family businesses identify a number of positive differences over non family businesses including that they are deep rooted in the community. They believe that they have stronger values than other businesses and a strong sense of responsibility to staff and community initiatives. 74% feel a sense of responsibility to supporting community initiatives in their area.

Key findings of a British report exploring the links between philanthropy and family businesses[37]:

- Family business owners are "natural philanthropists" – their characteristic commitment to long term stewardship, stability and continuity means that a philanthropic outlook is frequently embedded in their business;
- Family businesses are often local heroes, with strong roots in the local community where there are based, which often go back for generations;
- Although informality is the rule, some degree of formality is the ideal; "flexibility within a framework";

[34] Natural Philanthropists: Findings of the Family Business Philanthropy and Social Responsibility Inquiry, 2009. This section draws on findings from that report.
[35] Department of Jobs, Enterprise and Innovation
[36] PWC Family Business Survey 2012 (www.pwc.com/ie/pubs/2012_family_business_survey_findings_for_ireland.pdf)
[37] Natural Philanthropists: Findings of the Family Business Philanthropy and Social Responsibility Inquiry, 2009 p.11

- Although philanthropy and corporate social responsibility are on the same continuum, the arrangements for organising both activities are very varied;

- Philanthropy helps to strengthen the business family and to strengthen the family business, generating multiple benefits for family businesses (including reputational benefits for the business and the family name and the opportunity to put family values into action);

- Family businesses and their owners are recognised as being amongst the most significant clients and supporters of community foundations.

Family business philanthropy: critical success factors

Some factors appear to increase the chance of family business philanthropy being an effective and enjoyable experience, namely:

- Clarity about family and business values;
- Experienced leadership within the family and company;
- Learning from peers in other family businesses;
- Seeking external advice from philanthropic advisors and intermediaries on selecting causes and setting up the best vehicles for giving;
- Putting proportionate governance arrangements in place;
- Involving younger and older family members and those not involved in running the business;
- Involving employees;
- Reviewing and renewing philanthropic aims and activities regularly and especially during generational transitions.

Companies, as well as individuals and families can set up a donor advised fund at The Community Foundation for Ireland. The Foundation already hosts a number of corporate funds and detailed guidance is available from The Foundation on setting up a corporate fund, as well as payroll giving schemes.

SECTION 7: TO FIND OUT MORE

Useful websites:

Ireland
Family Business Ireland (www.familybusiness.ie)
Philanthropy Ireland (www.philanthropy.ie)
The Community Foundation for Ireland (www.communityfoundation.ie)
The One Per Cent Difference Campaign (www.onepercentdifference.ie)

UK
New Philanthropy Capital (www.thinknpc.org)
Philanthropy Impact (formerly Philanthropy UK) (www.philanthropy-impact.org)
UK Community Foundations (www.ukcommunityfoundations.org)

Other
Council on Foundations (US) (www.cof.org)
European Foundation Centre (www.efc.be)
National Centre for Family Philanthropy (US) (www.ncfp.org)
The Foundation Center (US) (www.foundationcenter.org)
The Philanthropic Initiative (TPI) (www.tpi.org)

Relevant reports (available upon request)

Ireland
Guide to Giving: Philanthropy Ireland (2007)
Philanthropy in the Republic of Ireland, McKinsey & Co (2010)
Philanthropy, The views of those who advise the rich, The Community Foundation for Ireland (2008)
Realising the Power and Potential of Charitable Bequests in developing Irish philanthropy, The Community Foundation for Ireland (2010)

Report of the Forum on Philanthropy and Fundraising (2012)
Sowing the seeds of Giving: Guide to Setting up a Foundation in Ireland, Philanthropy Ireland

UK

Coutts Philanthropy Handbook (www.coutts.com/files/pdf/philanthropy-handbook-sample.pdf)
Family Philanthropy Giving Trends 2012 (www.cgap.org.uk/uploads/reports/FFGT_2012.pdf)
Family Philanthropy: Rewards and Challenges, New Philanthropy Capital, (www.thinknpc.org)
Guide to Giving; Association of Charitable Trusts
(www.acf.org.uk/uploadedFiles/Publications_and_resources/Publications/Publication_repository/AGuidetoGiving3rded.pdf)
Natural Philanthropists; Findings of the Family Business Philanthropy and Social Responsibility Inquiry (www.kent.ac.uk/sspssr/cphsj/documents/natural-philanthropists.pdf)
The Business of Philanthropy, New Philanthropy Capital, 2010 (www.thinknpc.org)

Other

Raising children with philanthropic values, The Philanthropic Initiative (www.tpi.org)
Giving Together, A Primer for Family Philanthropy, The Philanthropic Initiative (www.tpi.org)
The Columbus Foundation – Family Philanthropy: A Guide for Professional Advisors, (www.columbusfoundation.org)

SECTION 8:
CONTACTING THE COMMUNITY FOUNDATION FOR IRELAND

The Community Foundation for Ireland was established in 2000 and makes grants on behalf of donors. We connect individuals, families companies and other organisations to the most deserving and effective local grassroot causes. There are over 1700 community foundations in more than 50 countries across the world managing over $40 billion in assets and proving that the community foundation model works.

What makes a community foundation special?

- It takes a long term view – by building a perpetual endowed fund, community foundations can tackle long –term community challenges, as well as meet immediate needs;
- It offers a personalised and informed donor service – uniquely equipped to partner with donors on an individual basis, community foundations provide an easily accessible and personalised service;
- It is committed to community service and leadership – by providing the opportunity for collaborative leadership that transcends "special interests" and reflects the interest of the community at large;
- It offers prudent financial management and stewardship – as well as striving for transparent governance and best in class leadership practices.

Since its inception in 2000, The Community Foundation for Ireland has given over €15m in grants to over 3000 charities and community groups, mostly in Ireland.

Contact information

To find out more about any of the topics covered in the Guidance Report, please do not hesitate to contact the Development Team at The Community Foundation for Ireland:

The Community Foundation for Ireland
32 Lower O Connell Street,
Dublin 1
Tel: + 353 1 874 7354
www.communityfoundation.ie

This report was written by Jackie Harrison, Head of Development at The Community Foundation for Ireland. The information contained in this guide is meant only to serve as a guide. The Community Foundation for Ireland recommends that where appropriate, individuals and families seek advice from professional advisors.

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