



Choose public or private

Ancillary funds can be set up to ensure you have control over bequests

David Andrew

"We are inspired by the example set by millions of people who give generously (and often at great personal sacrifice) to make the world a better place."

The Giving Pledge, which is noted above and was started by Warren Buffett and Bill and Melinda Gates, asks the world's wealthiest individuals and families to commit to donating part of their wealth to philanthropic causes.

While those listed have riches beyond most of our wildest dreams, the premise of sharing your wealth is an honourable one, and within most of our means.

Sharing your wealth can be enormously rewarding, and going about it in a planned way by establishing a formal giving program makes sense.

You will need to decide how formal you would like your plan to be.

The simplest way is a planned giving program where you identify an amount of money to give each year and allocate the funds to your favourite causes. Alternatively you can choose a private ancillary fund (PAF) or a public ancillary fund (PuAF). Your choice will be driven by how much money you want to contribute to charitable causes.

The Australian Philanthropic

HOW TO...

ESTABLISH A PRIVATE ANCILLARY FUND (PAF)

- Seek appropriate advice
- Liaise with your tax adviser to ensure the structure is appropriate
- Establish a special purpose trustee company
- Nominate the family members you want as directors
- Nominate an independent director who will be your Responsible Person
- Have a Trust Deed prepared
- Apply to the Australian Taxation Office and Australian Charities and Not-for profits Commission (ACNC) for charitable status
- Obtain an ABN
- Establish a bank account and make your initial donation
- Brief the directors of the trustee company about their duties and responsibilities
- Prepare an Investment Policy Statement
- Select and monitor the fund's investments
- Decide on a process to make charitable grants
- Oversee the ongoing administration, accounting and compliance for your PAF

ESTABLISH A SUB-FUND IN A PUBLIC ANCILLARY FUND (PUAF)

- Seek appropriate advice
- Choose a Public Ancillary Fund
- Decide how much you want to contribute
- Liaise with your tax adviser to ensure the structure is appropriate
- Establish your sub-fund
- Decide on your charitable causes

Rich club: Bill and Melinda Gates with Warren Buffett at a news conference in 2006. Picture: Spencer Platt/Getty Images

Services recommends a minimum of \$500,000 for a PAF, while a family with \$50,000 could establish a sub-fund in a PuAF.

The first step is to get all the right information. You can take this on as your own project and a simple web search will uncover a wealth of background information on philanthropic trusts. Most people choose to get advice and you will find a small but growing group of financial planners, lawyers and accountants specialise in this area.

Setting up a sub-fund in a PuAF is quite easy. Public ancillary funds provide the administration, investment, governance and trustee services, so you can focus on the charities you want to support.

Establishing a PAF is more complex and that's why you need more money to make it worthwhile.

It is more common to see a PAF established as part of the tax planning for the sale of a bigger private business.

Getting the right advice is the first and most important step.

Private ancillary funds have many advantages over public funds. A private fund gives you and your family total control over how the capital is invested and the amount given each year.

If it is done properly, you will set your PAF up for a trouble-free future and protect your valuable tax deductions. An important appointment in establishing your

PAF is the "responsible person". The corporate trustee of a PAF must have an independent director engaged in philanthropy and actively engaged in the management of your PAF. This role is usually given to a trusted accountant, lawyer or financial adviser.

Setting up a PAF may be onerous compared with the public fund alternative but wealthy families should not discount the legacy value a PAF can create. The right advisers will make this easier, so that you can focus on the benefits a charitable fund can bring to your family and the community.

David Andrew is chief executive of Capital Partners Private Wealth



A PRIVATE FUND GIVES YOU AND YOUR FAMILY TOTAL CONTROL OVER HOW THE CAPITAL IS INVESTED AND THE AMOUNT GIVEN EACH YEAR.