How your organisation can best gain credibility with philanthropists

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Friday, 25 February 2011
Today

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- Structured Giving Vehicles
- What attracts High Net Worth donors
- How to approach Private Wealth institutions
JBWere

Executive Leadership and Management

- Investment Banking
- Financing Group
- Fixed Income, Currency & Commodities
- Equities Product Group
- Asset Management
- Merchant Banking

Private Wealth Management Capabilities
- Tailored advice and investment solutions across all asset classes
- Global investment research and strategy
- Strategic Financial Planning
- Direct equities, managed funds, derivatives and structured products

Clients
- Family offices
- Charities and endowment funds
- Boutique institutions
- High net worth individuals
- Private companies and trusts

- Domestic and Global Lending
- Cash
- Fixed Interest
- Foreign Exchange
- Derivatives
- Commodities
- Strategic Asset Consultants
- Asset servicing – settlement and custody
JBWere Philanthropic Services

Philanthropic Services
- Philanthropy Services
- Innovation and Development
- Non-Profit Services

Grant Makers
Grant Seekers
What is social investment?

“Using profit seeking investment to generate social and environmental good”

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Source: Monitor Institute
Philanthropic Trends

• Philanthropy and philanthropists are getting more sophisticated
• Donors are utilising structured giving vehicles to endow their giving
• Donors have an understanding that charities invest funds for the future, and often demand that such organisations demonstrate such funds are managed prudently
• Donors will weight their giving towards charities that best demonstrate accountability and transparency
• Donors expect feedback on their donations through a comprehensive stewardship program
• Donors expect to optimise the social return from their giving
Philanthropists are getting more sophisticated

• Donors wish to be allowed to give to your organisation in the way they want to

• They are less likely to react, more likely to look at structured giving vehicles – cheque book philanthropy no longer

• They see you as one of a number of potential providers that satisfy their philanthropic needs
Structured Giving Vehicles

The establishment of a charitable trust structure whereby donations are invested in an investment fund and income returns are distributed each year

• Private Ancillary Funds
• Public Ancillary Funds
• A Charity’s own endowment fund
Structured Giving Vehicles – Why?

Non-financial
- Significance, meaning, footprint of one’s life
- Legacy to community
- Family

Financial
- Tax efficiencies provide leveraged giving
- Tax deductions and donations invested in tax-free entities, allowing money to work harder
Structured Giving
Why Individuals Set up Charitable Endowments

• Giving over a long period of time
• Separate timing of tax benefit and charitable giving
• Greater oversight and control
• Build long-term relationships with charitable organisations
• Maximise benefit from tax concessions
• Greater opportunities for family involvement
Why have your own Endowment Fund

• Allows for those who trust you to commit forever
• Donations are invested in tax-free environment into perpetuity
• Vision and purpose

• Even if the donor does not commit to this, it shows vision, professionalism, enduring organisation, sophistication
Endowment Funds and Governance

- Clear investment policy in place
- Publicly available information
- Underlying investments of the endowment fund explained
- Investment returns over different periods, perhaps measured against relevant market benchmarks provided
Governance – other issues

Transparency
Who runs your organisation? Profile of Board and their skills

Financial Reporting
How the donors’ dollars get spent

Activities and Outcomes
Quantify what your organisation has achieved
Investment Policy for Endowments

• We recommend that all endowments use an investment policy as a framework for developing and reviewing their investment strategies.

• An investment policy is a key tool for all investors and even more critical for boards and trustees of endowments who are entrusted to oversee the investment of the organisation’s assets.

• We believe that stepping through the process of developing or reviewing an investment policy is key to defining the risk and return profile and helps tailor an appropriate asset allocation and portfolio structure.
Lessons from the Global Financial Crisis

The GFC has seen three broad groups of outcomes emerge for non-profits with endowment funds.

• **Group 1** - Endowments without an investment policy; or a policy that hasn’t been integrated into the organisation’s overall strategy; or a policy not fully explained and agreed to by major stakeholders (i.e. boards, donors and staff).

• **Group 2** - Those that had an investment policy which wasn’t either fully understood by all stakeholders, or which was poorly implemented.

• **Group 3** - Those that had a comprehensive investment policy, well communicated and implemented.
Case study Mr McManus

- Married with teenage children
- Manages a private equity business
- Underlying salary of $600,000pa
- Annual bonus up to $5m
- Has a Private Ancillary Fund with $4m
- Gives an additional $0.5m per annum
- Considers himself as a leader in philanthropy
What Mr McManus expects

- Understanding of fundraising and administration cost ratios
- Balance sheet – typically from Annual Report
- Investment Policy of the organisation
- Asset mix of investments
- Investment performance report
- Investment performance of endowment
- Potential impact of any donation
Transparency

• In an understandable format, eg fundraising cost ratio and examples of why that differs across the industry.
• Investment policy
• Investment returns
• Do my dollars crowd out other funding?
Collateral for donors

- Succint – no more than 2 pages
- Your own performance report – financial and social outcomes
- Deliver electronically, or hard copy – donor choice
- Personalised
- Information without the ask
- Thank you!
Approaching Private Wealth Institutions

• Succinct summary of outcomes, key information
• Explore synergies beyond explaining your activities
• How can each organisation leverage from their respective networks, connections
• Institutions may offer use of premises for functions
• Useful to identify ambassador to introduce you
General Thoughts for Fundraisers

- Know your donor – before your donor knows you
- What is it that your donor wants?
- How often do you say hello or thanks compared to how often you ask for something?
- Philanthrocapitalists and philanthrocapitenuers. Are all major donors like this?
- Interest in governance, financial circumstances, and inner workings is increasing
- Corporate giving – how well have you aligned yourself?
- What lies ahead in the area of social investment?
- Tax - never a reason, but often a trigger
Questions
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