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Australia's rich people are way behind the Americans when it comes to giving, and more needs to be done. By Adele Ferguson

he former transport magnate Greg Poche donated \$32.5 million, or 4.3% of his net wealth, to charity in December, setting the benchmark for the biggest donation to a single cause by a single donor. Poche was not looking for publicity; he does not need public adulation. He simply wanted to shame others with wealth to dig deep, to give back to a society that has given so generously to them.

Poche's public show of generosity inspired a few more individuals and families to set up foundations, and a few more companies to show an interest in corporate social responsibility — but not nearly enough to catapult Australia to the same level of generosity demonstrated by other countries. Put simply: the total amount of money given to charity by Australians, as expressed as a percentage of gross domestic product (GDP), is 0.68%, or less than half the amount Americans gave away (1.6%).

But to be fair, nobody knows just how big Australian philanthropy is. As Heloise Waislitz, the daughter of Australia's third richest man, Richard Pratt, and chair of the Pratt Foundation says: "In the United States, it is in the Constitution to give. I think Australians are generous [but] the structures just aren't in place. If there is a telethon Australians are the first to give."

The latest published data, in the Prime Minister's *Giving Australia* project, indicates that in 2004 Australians donated \$5.7 billion to not-for-profit organisations. A further \$2 billion was provided by 10.5 million Australians who bought raffle tickets or attended charity auctions; the corporate sector donated \$2.2 billion in cash and another \$1.1 billion in goods and services. More Australians volunteer their time than people in Canada, the US and Britain. In 2004, 41% of adult Australians volunteered a total of 836 million



hours — a 16% increase since the survey was first conducted by the Australian Bureau of Statistics in 2000.

The Australian Taxation Office can rattle off figures on tax deductions claimed, but it cannot give a reliable estimate of the extent of foundation giving in Australia because of the low level of reporting requirements. Foundation giving in the US and Britain is easier to estimate because of greater levels of public accountability.

Most donations are not claimed as tax deductions, according to one of the leading commentators on the sector, the academic Mark Lyons, who says only about 20% are claimed, mainly because they are given to non-deductible grant-recipient organisations such as churches, mosques and temples. There are hundreds of philanthropic trusts in Australia, but little or nothing is known about them. They are not required to disclose the size of the trust, their annual disbursements, where the money goes, or the returns on investments. Trusts are regulated by state attorneys-general, but Lyons says the attorneys generally take an interest in them only when the big trustee companies want to increase their management fees. "As far as I know, only about two or three voluntarily issue annual reports, and then only of their grant-making, not of the returns on their investments [unlike the US]."

This lack of transparency in the sector means there is room for abuse and a darker side to philanthropy, most recently shown by the case relating to the philanthropist Steve Vizard who set up the Vizard Foundation, which, it was alleged in court, was set up to avoid tax. The court heard that "the foundation was nothing more than a cheap tax scheme designed to pretend to be something philanthropic but really just a greedy attempt to reduce tax". Vizard admitted he had used his foundation to buy art that was kept at his Toorak mansion and that his sister and brother-in-law had stayed in accommodation owned by the foundation.

The most recent case involves the Sydney entertainment doctor James Wright, who has been ordered to pay \$3 million in back taxes for a foundation he set up. Earlier this year the Sydney *Sunday Telegraph* reported that the foundation invested \$58 million with a US conman.

Then there are scandals relating to trustee companies — the only corporate entities authorised to administer deceased estates and the excessive fees some of them charge and the inability of family members to sack them, no matter how unhappy they are with the level of service. Some trustee companies charge like wounded bulls (see A GAME OF GIVE AND TAKE, page 47). For example, a \$5-million foundation in NSW is charged almost \$300,000 in fees, or almost 5.5% of the capital base, a year. That includes \$233,750 for running the fund (4.6%), \$28,875 for pouring the cash into a pooled investment fund (5.7%), about \$25,000 for annual reports, audited accounts and franking credit refunds, and up to another \$8000 for miscellaneous expenses. Add complex grant-making decisions and it is conceivable that another 1–2% of the capital base could be sucked out in fees. The chair of the Non-Profit Roundtable Advisory Council, Elizabeth Cham, says: "The public has a right to know what the trustee companies are spending the foundations' money on. It is effectively money from the public purse, because the donations are tax-deductible. Those who use it should be accountable."

Others say the scandals are more about the amount of money that is wasted on activities that have no effect. The chief executive of Nonprofit Australia, Jane Schwager, says Australia, more than Britain and the US, is still locked into the armchair philanthropy model. She believes the country will not get any changes in the not-for-profit sector unless those financing them, the philanthropists, want better accountability. "There is a mindset of not wanting to put the effort into how the money is spent, and I think the trends are not shifting but getting worse." The amount of money wasted in the sector is staggering, Schwager says. "Nine out of 10 social valuations you could drive a truck through. Philanthropy as it sits and as it operates in Australia is creating and driving an inefficient sector which is not helped by the short-term nature of some philanthropic giving."

New attitude

The fact is, philanthropy is rising and is becoming trendy and more engaged. As David Gonski, a prominent businessman and a big contributor to the not-for-profit sector, observes: "Twenty-five years ago, the discussions at dinner parties was how to avoid tax, 10 years ago the coming of government liabilities, now what is being discussed is giving back."

Philanthropy is becoming hip as the younger generations get personally involved and take on more innovative projects. Sports, singing and acting identities such as Nicole Kidman, Pat Rafter and Mark Webber donate time and money, and big corporations such as BHP Billiton, National Australia Bank, Telstra and Foster's Group discover the wonders of corporate social responsibility and seek accountability.

There is also a growing trend by philanthropists to let the charities reveal who is donating what. For example, last year Allan Myers, QC, donated \$1 million to the Howard Florey Institute, businessman Basil Sellers is giving away \$750,000 over the next

TOP 50 GIVERS

The largest personal givers in Australia, 2005*

RANK	NAME	DONATIONS (\$m)	WEALTH (\$m)	% OF Wealth	RANK	NAME	DONATIONS (\$m)	WEALTH (\$m)	% OF Wealth
1	Estate of Marjory Edwards	37.0	N/A	N/A	26	Michael Buxton	3.0	160	1.9
2	Greg Poche	32.5	761	4.3	27	James Fairfax	3.0	300	1.0
3	Estate of George Henderson and Margaret Doyle	16.0	N/A	N/A	28 29	Allan and Maria Myers Estate of Percy Baxter	3.0 2.6	120 N/A	2.5 N/A
4	Frank Lowy	15.0	5,400	0.3	30	Dame Elisabeth Murdoch	2.5	N/A	N/A
5	Richard and Jeanne Pratt	12.0	5,200	0.2	31	John and Pauline Gandel	2.5	1,800	0.1
6	Eve Kantor and Mark Wootton	10.0	325	3.1	32	Eva and Marc Besen	2.5	1,400	0.2
7	Michael Hintze	10.0	450	2.2	33	Geoffrey Handbury	2.5	237	1.1
8	John Reid and Andrew Reid	9.0	N/A	N/A	34	Estates of Fred Archer and Eric Storm		N/A	N/A
9	Harry Triguboff	9.0	2,500	0.4	35	Estate of Barbara William	2.3	N/A	N/A
10	Estate of Sylvia and Charles Viertel	7.5	N/A	N/A	36	Estate of Harry Moss	2.0	N/A	N/A
11	Estate of Helen Macpherson Smith	7.3	N/A	N/A	37	Philip Cornish	2.0	175	1.1
12	Myer family	7.2	N/A	N/A	38	Estate of Alfred Felton	1.7	N/A	N/A
13	Kerry Packer	6.0	N/A	N/A	39	Estate of Hugh Williamson	1.5	N/A	N/A
14	Smorgon family	6.0	2,400	0.3	40	John Ilhan	1.5	300	0.5
15	Estate of Sir Ian Potter	5.9	N/A	N/A	41	Estate of Clive and Vera Ramaciotti	1.4	N/A	N/A
16	Jack and Eleanor Bendat	5.0	550	0.9	42	Rino and Diana Grollo	1.0	285	0.4
17	Estate of William Buckland	4.2	N/A	N/A	43	Peter and Joan Clemenger	1.0	N/A	N/A
18	Estate of Roy Everard Ross	4.2	N/A	N/A	44	Brian Sherman	1.0	190	0.5
19	Peter Scanlon	4.0	120	3.3	45	Estate of Ralph Lachberg	1.0	N/A	N/A
20	Albert family	4.0	210	1.9	46	Nelson Meers	1.0	N/A	N/A
21	Estate of Jack Brockhoff	4.0	N/A	N/A	47	Laurence Freedman	1.0	205	0.5
22	Estate of Vincent Fairfax	3.7	N/A	N/A	48	Andrew and Nicola Forrest	1.0	810	0.1
23	Estate of Alice, Annette and Edith Collier	3.1	N/A	N/A	49 50	Dick Smith Kenneth Reed	1.0 1.0	N/A N/A	N/A N/A
24	Estate of John Wicking	3.0	N/A	N/A		W estimates			
25	Clive Berghofer	3.0	280	1.1		applicable or not available			

few years to the not-for-profit group Social Ventures Australia, and James Fairfax is one who makes no secret of his giving: "It is helpful to the institutions to let them announce the donor because it encourages other people to give. I have never given anonymously for that reason." Fairfax estimates that he gives \$3 million a year to health, education and the arts. Others, including the former Lord Mayor of NSW, Nelson Meers, concur. His daughter Sam, who runs the Nelson Meers Foundation, says: "My father has always believed if you have prospered you have an obligation to give back to the community. He's very passionate about that, and he really wants to encourage others to do the same."

Biggest givers

To track who is who in the world of philanthropy, *BRW* has ranked 50 of the most generous donors in Australia. Using public records and interviews, *BRW* tallied donations over the past 12 months. Then, because

generosity is a relative term depending on the size of the pot, *BRW* looked at total giving as a percentage of current net worth, based on wealth estimates from the *BRW Rich 200* list. Naturally, there are limitations to the methodology, the main one being that many wealthy donors prefer to give anonymously — and take great pains to make sure the size of their gifts is never publicised.

Solomon Lew, Gina Rinehart and Franco Belgiorno-Nettis all prefer to keep a low profile, partly to stop being harassed by other charities on the lookout for new blood to tap for money, and also because they prefer to keep their affairs private. Other rich people are not on the *Rich 200*, so their wealth is harder still to estimate, and some are dead but had set up a foundation in perpetuity. What the ranking shows, though, is that many of the new philanthropists are willing to back their bold plans with substantial portions of their wealth.

From the research, the most generous is Greg Poche. The 4.3% of his wealth that

he gave away was the highest percentage of all those on the list that are alive. The biggest giver was Marjory Edwards, who gave \$37 million to several South Australian and Northern Territory charities in her will. Of those who give every year, the biggest is Frank Lowy, with \$15 million of donations, which represents 0.3% of his net wealth, followed by Richard Pratt, who gives away \$12 million a year, or 0.2% of his net wealth.

But there needs to be more like Greg Poche to stand up and put their name and their money to philanthropy, according to philanthropist and former Microsoft Australia and ecorp chief executive Daniel Petre. "There needs to be a champion in Australia, similar to what Bill Gates has done in the US, who will give away a big part of their wealth — and I mean a big part — to encourage others to give." Gates has given about \$US31 billion of his wealth to charity, more than 37% of his net wealth, and from July 2008 will spend more time on his foundation.

The chief executive of Philanthropy Australia, Gina Anderson, says middle and low-income Australians are very generous in the time and the amount they give away, proportionate to their net worth. But she says the statistics indicate that wealthy Australians are well behind the rest of the world.

On bald estimates, Anderson and Petre to have a point. Australia's top 50 givers donated an estimated \$273 million in 2005. Of the top 20, half are dead, but they seem to be just as generous as the living, as they make up 49% of the top 20 donations. Petre says that if each of the individuals named in the *BRW Rich 200* had established a foundation with 5% of their estimated net wealth, the combined foundations would total just over \$5 billion, the average amount would be about \$25 million and, with an annual earning rate of 6%, this aggregate amount would generate distributions of about \$300 million a year.

Better still, if Australia's wealthiest individuals contributed 14.5% of their wealth (the average given by the top 30 in the United States) the total amount for Australia's 200 would exceed \$14 billion. This would generate about \$880 million a year (at a 6% earning rate), with an average amount of more than \$70 million.

Petre says: "We are slowly changing the amounts of money being given, but it is nowhere near being matched by the growth in wealth. The rich should be giving more because they have the greatest capacity to give. If they gave 10% of their wealth to charity, it would not change their lifestyle at all."

Unlike the US, which has had a string of candidates over the years setting the benchmark for philanthropy, Australia has few. For this reason, many believe the Federal Government should intervene. Petre says: "We have a responsibility to live in society, this country has provided the basis for many people's fortunes but it doesn't seem to be in the gene pool of the super wealthy to give. Relative to their wealth, what is being given is too little." (See GIVING SOMETHING BACK page 48).

Government must act

The problem with this is that governments of all persuasions never see any mileage in upsetting the super-wealthy by reintroducing things such as a death tax. But they could do it another way: offer incentives such as tax deductions of more than 100%.

The Howard Government is well aware of

an imminent crisis as the population ages, as it cranks up incentives to encourage philanthropy. It got the ball rolling in 2001 when it reformed tax, including the introduction of Prescribed Private Funds, introduced tax benefits for workplace giving and a range of deductions for the donation of property.

But available figures suggest that philanthropic giving, although going up, will not plug some of the holes the Federal and State Governments are withdrawing from. In addition, pressure will mount: spending on health and aged care is projected to more than double by 2041–42, and age and service pension costs will rise 50%. According to Treasury predictions in 2002, the budget will be \$87 billion in the red by 2041 unless specific policies are introduced to reduce the costs associated with an older population.

There are cracks forming everywhere. The State and Federal Governments are withdrawing from social services such as employment, health, education, aged care and child care. They are being outsourced to the not-for-profit sector. In some cases, governments are closing hospitals in rural areas and giving not-for-profit groups such as the Flying Doctor money to buy planes to service these remote areas.

But some charitable bodies find the going tough and are getting out of areas of service. One example was a decision by the Salvation Army last year to sell its aged-care business to Macquarie Bank. Non-profit groups and churches are moving out of child-care centres because they are too expensive to run, and some state governments are reducing grants to community programs. At the same time, problems such as child abuse, drug abuse and mental illness are on the rise.

The president of the Myer Foundation and chairman of the Sidney Myer Fund, Carillo Gantner, says: "It is true that the United States is the wealthiest country on earth, with the greatest number of millionaires and billionaires. What makes the foundation sector there so strong, however, is not the accumulation of wealth per se, but rather the Government's attempt to claim that wealth back through high death duties. US death duties are up to 60% of an estate above a cut-off level of about a million dollars, a figure that just happens to equate to the average income level of a member of the US Congress.

"If you put your money into a foundation you can certainly work for the good of society. You can also avoid death duties and, at the same time, ensure that control of the assets remains with your family, that your name will be perpetuated and your status enhanced. We cannot assess the motives of the founder of each philanthropic entity, but I imagine they range across the entire spectrum, from a very pure desire to do good in the world to the less savoury end of the scale where privilege and personal benefit are the desired outcomes."

The Australian Democrats are looking at a charity levy on Australians, whereby they donate 1% of their taxable income to specific not-for-profit groups of their choosing. This is already up and running in Italy and Hungary, where taxpayers allocate up to 1% of their income tax to the charity of their choice. Others such as Petre believe a penalty should be imposed on those who do not give. He suggests if somebody has a net wealth of \$30 million, there should be a death tax imposed on the estate.

Whatever happens, the Federal Government has no policy to deal with the crisis brewing in the sector.

Luckily for it, there are signs in Australia that philanthropy is becoming more engaged and more interested in projects such as mental illness. The reasons are many, but the most obvious are the rapid wealth creation over the past decade and the intergenerational change that is occurring in Australia's richest families. According to Family Business Australia, a not-for-profit association, over the next decade \$1.2 trillion of intergenerational wealth will be transferred in Australia.

The younger folk are more engaged with giving than their parents. For instance, Heloise Waislitz chairs the family foundation. Waislitz joined the Pratt Foundation in 1995. In her first five years, Waislitz says she hand-delivered every cheque to the recipients, to get a true understanding of what she was giving to, and how they were using the money. To get a better understanding of philanthropy, she went to Harvard University to study the topic.

In her 12 years with the foundation, she has moved its focus from education and the arts to community needs. "My mission statement is to meet the real needs of real people. This includes helping improve mental health in Australia. It's something I'm passionate about and it is so underfunded in this country. We try to do cutting-edge project funding and try to give to causes that other people do not give to," she says.