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A new era dawning for generous investors

With uncertainties continuing across the globe, it's timely for investors to revisit their giving trends alongside wealth planning.

STIRLING LARKIN THE AUSTRALIAN 12:00AM December 13, 2016

Since colonial times, Australia has successfully entrenched a deep and lasting charity mindset throughout our society.

As positive as this has been, this predisposition towards charity has caused issues for those in the not-for-profit, arts and community spaces who have attempted to channel support towards philanthropy and not charity.

Despite a majority of Australians acknowledging that charity and philanthropy are not one and the same, too many people continue to conflate the two and end up talking in a philanthropic narrative but act in a charitable way.

In simple terms, this has led many to ask for handouts without demonstrating how provided support would make a lasting difference.

Although there is a recognised degree of overlap in practice, charity aims to relieve the pain of a particular social problem, whereas philanthropy attempts to address the root cause of the problem; it's not unlike the difference between the proverbial gift of a fish to a hungry person, versus teaching them how to fish.

For all Australians considering smarter ways of supporting societal challenges, cleverer and more dynamic philanthropic options have begun to emerge, both on the investment and altruistic ends of the spectrum.

On the investment end, so-called "impact investing", once considered a niche of the broader market, has now entered the mainstream.

Moreover, what has begun to change this year has been an increasing recognition that publicly traded ASX companies have broader investor support to modify their primary business models to better address pressing environmental, social and economic challenges.

On this, Innes Willox, CEO of Australian Industry Group, says: "Superannuation companies are looking at investments addressing issues like community or lower-cost housing.

It's not uncommon to hear of businesses providing breakfasts for children at school in underprivileged areas."

When once private investments were the only option for global investors to support impact-investing initiatives, today there has emerged a diverse range of options open to all, including SMSFs. Here are some examples:

iShares MSCI Global Impact ETF (MPCT: US), exposure that aims to advance the United Nation's Sustainable Development Goals, such as education or climate change.

Barclays Return on Disability ETN (RODI: US), focused on employees with disabilities and implementing disability-friendly practices.

AdvisorShares Global Echo ETF (GIVE: US), focus on themes such as water, fossil fuel divesting and funding corporate sustainability.

Separately, there is a relatively new form of philanthropy known as "private capital" philanthropy.

In the US, there has been mounting debate about whether this form of altruism can be considered philanthropic, as many, including Mark Zuckerberg of Facebook, have established "limited liability company (LLC)" funds, which have provided new ways personal assets can be dedicated for causes, yet allow greater control and have more flexibility than permitted by traditional philanthropy.

Offering support through US LLCs is not considered an allowable charitable donation for tax purposes, as US law requires a donor to make an outright gift and lose control of donated assets. Questions also remain for Australian alternatives from a tax treatment consideration.

Given the punitive and arcane gates and restrictions placed on Australia philanthropic private and public ancillary funds it is obvious more and more Australians will form similar private capital philanthropic funds and follow the

North American trend.

On this, David Mortimer, chairman of Opera Australia (formerly of Leighton Holdings and Australia Post) says: “It is fascinating to watch the evolution of philanthropic giving in Australia at the moment. We have long-term supporters who regularly travel overseas for opera and they are bringing back new ideas for philanthropic funding models.”

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