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Private Ancillary Funds

Presented at Crestone, Adelaide on 16 November 2022

Making giving a part of your family's story

What is a Private Ancillary Fund (PAF)?

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- Special type of trust that has the sole purpose of providing money, property or benefits to specific types of charities.
- A pipeline of funding.
- Establish during your lifetime or through your Will.

Philanthropy in Australia

Source: Giving Australia Report 2016

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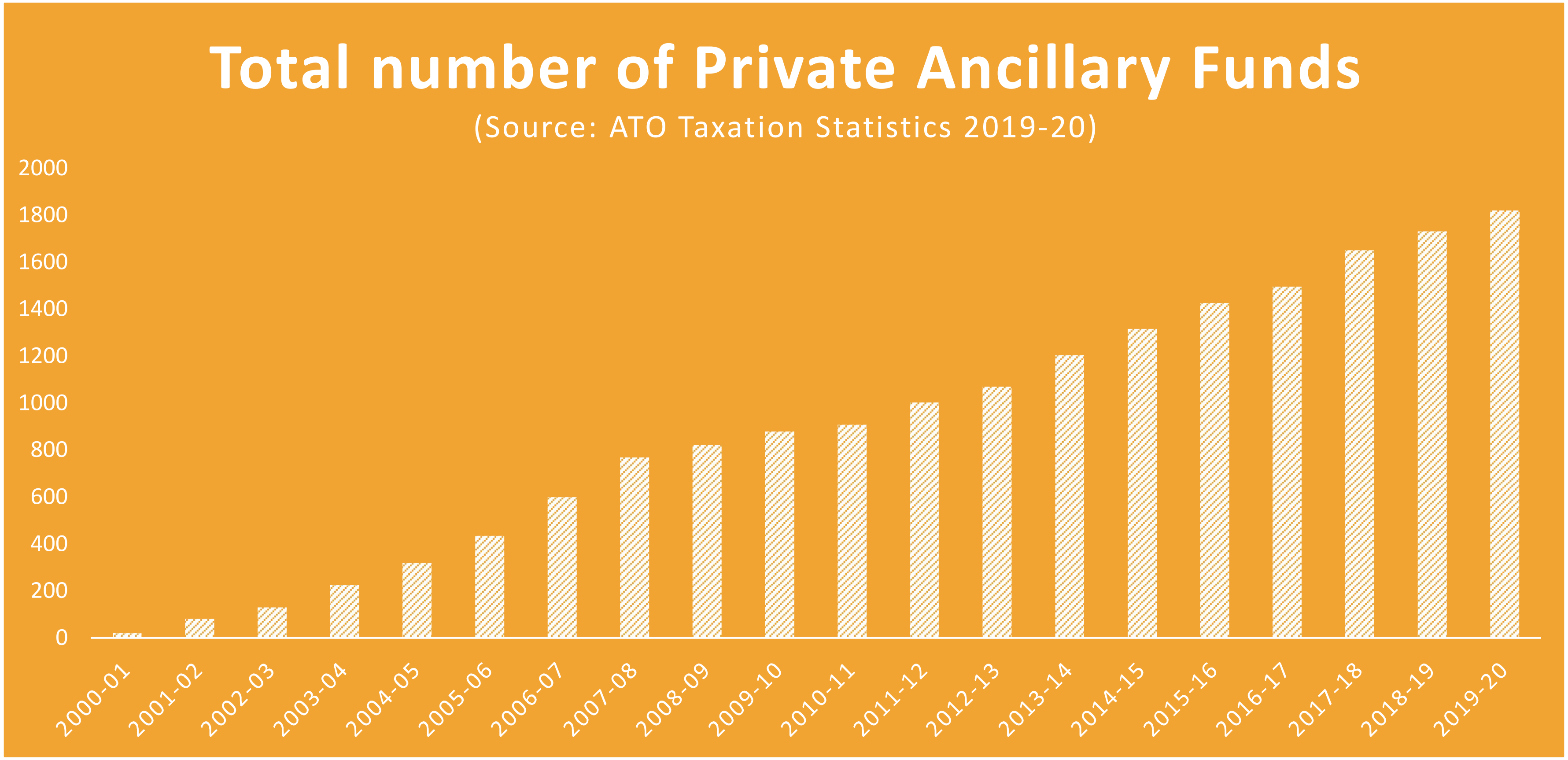
Table 2: Factors influencing structured giving

Influencing factor	Percentage
To be more strategic in giving	71.4%
To make a difference	53.6%
To help organise giving	53.6%
To involve family in giving	53.6%
To create structure in perpetuity	42.9%

*Respondents could choose more than one answer.


Total number of Private Ancillary Funds
(Source: ATO Taxation Statistics 2019-20)
2000
1800
1600
1400
1200
1000
800
600
400
200
0
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
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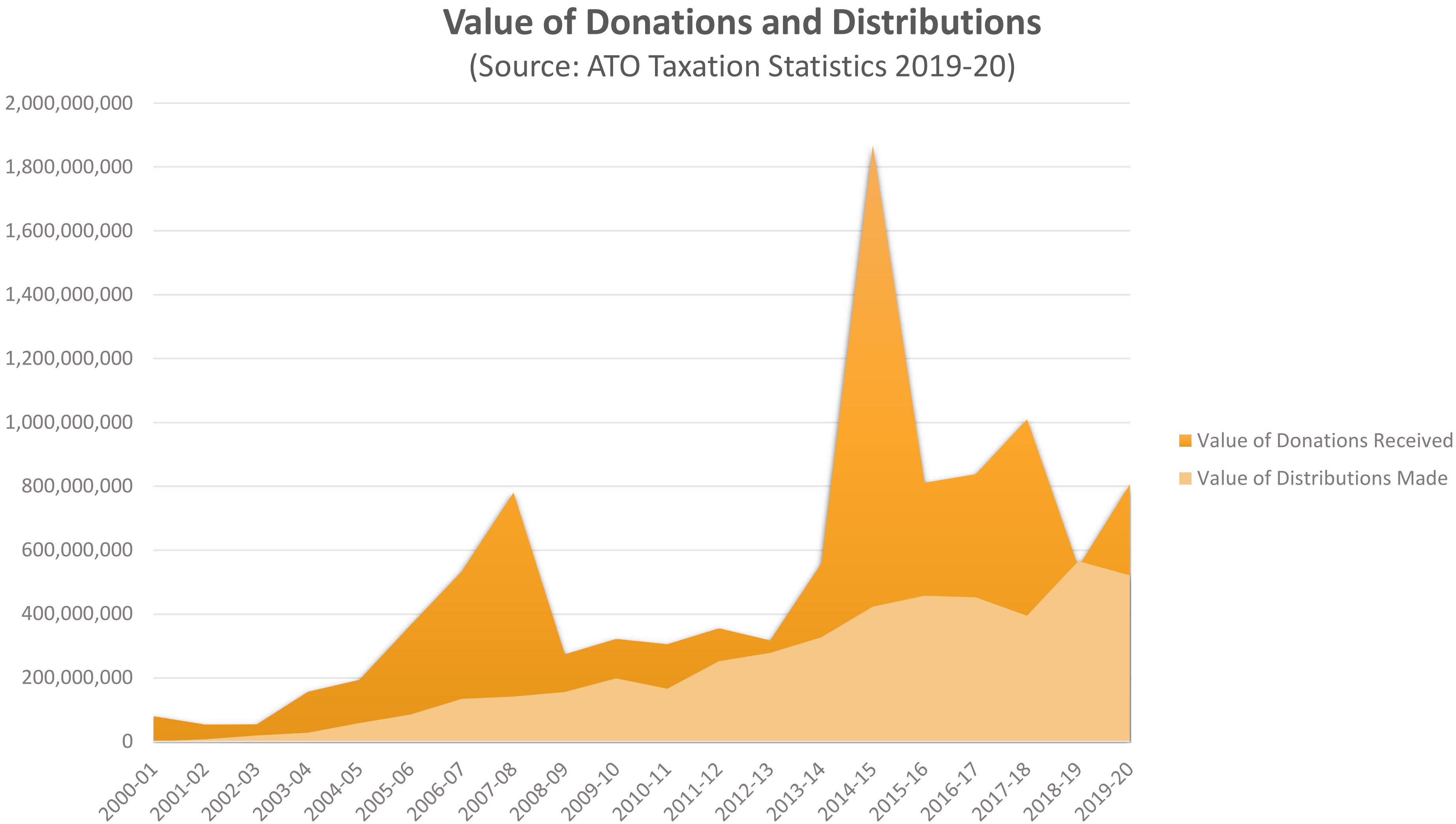
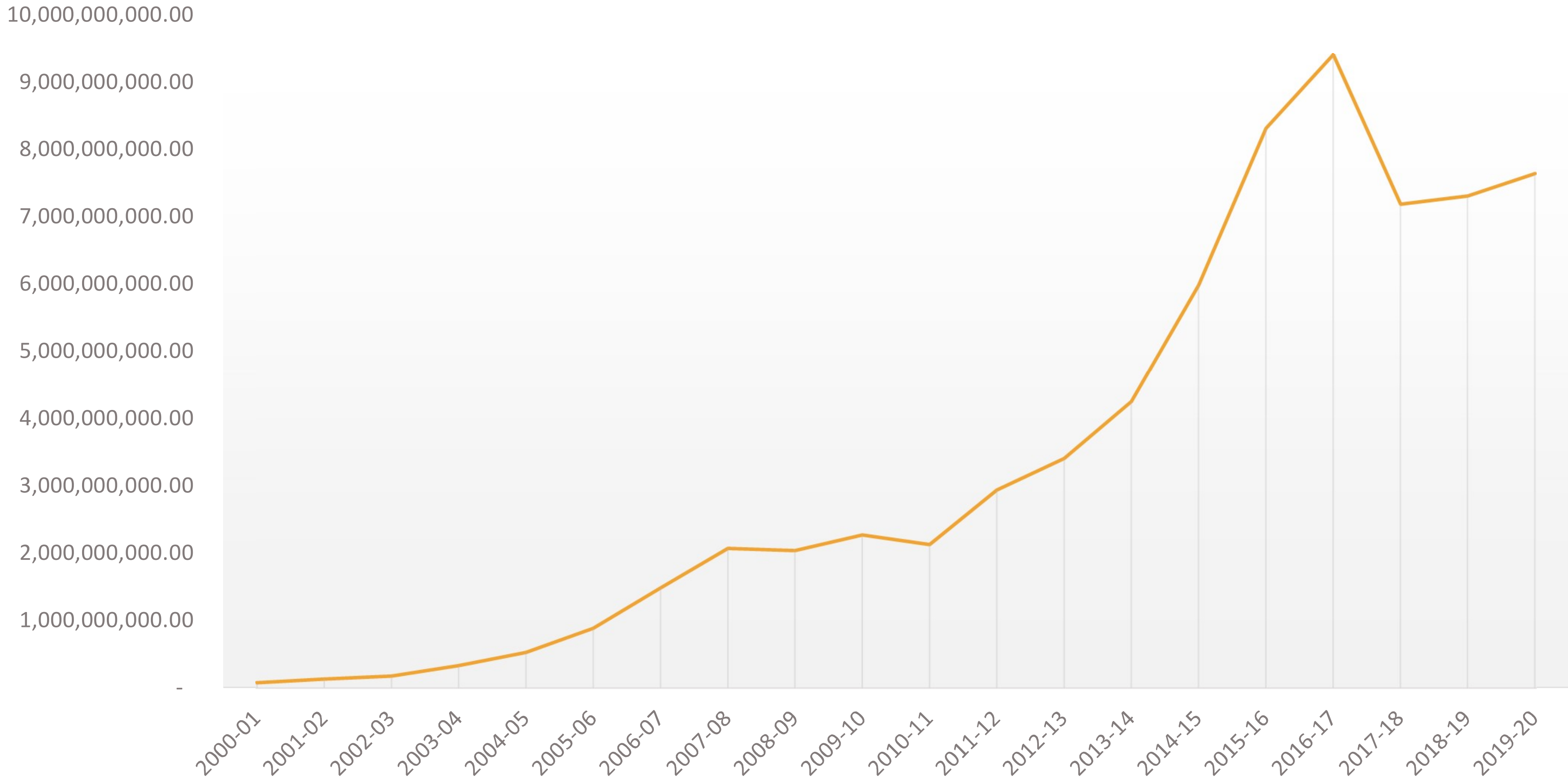
2016-17
2017-18
2018-19
2019-20


Value of Donations and Distributions
(Source: ATO Taxation Statistics 2019-20)
2,000,000,000
1,800,000,000
1,600,000,000
1,400,000,000
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
0
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20
Value of Donations Received
Value of Distributions Made

Total Value of Net Assets held in PAFs

(Source: ATO Taxation Statistics 2019-20)



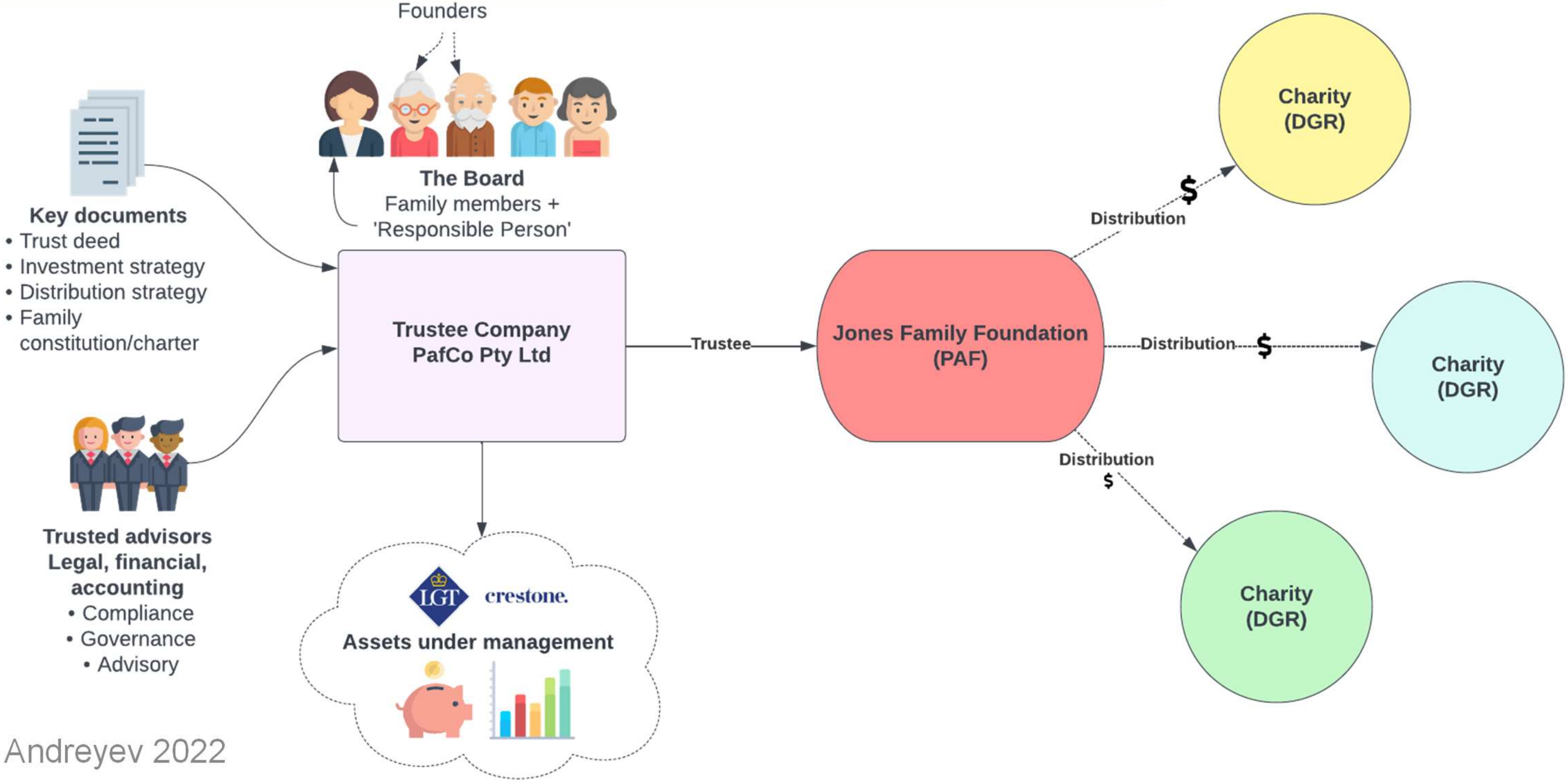
What does a PAF look like?

- Special purpose trust.
- Trustee company – board includes a ‘responsible person’.
- Founders establish the PAF.
- Assets centrally held, invested and controlled by trustee.
- Donations from immediate family, friends and associates.
- Annual decisions on distributions, with minimum annual distribution required.
- Charitable status – includes for tax purposes.

How are they different to other structures?

- Self-managed.
- Closely held and controlled by family + ‘responsible person’.
- Support multiple causes – flexible.
- Tailored:
  - Own investment strategy
  - Own distribution strategy
  - An extension of your family values.

What does a PAF look like?



Key things to note

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- Generally register as a charity through the ACNC (Australian Charities and Not For Profits Commission).
- Registration as a DGR (deductible gift recipient) via the ATO.
  - Donations to and from are tax deductible.
- Application for income tax exemption via the ATO.
- Records and information publicly available.

Key things to note

- Heavily regulated.
- Minimum annual distribution amount.
  - Greater of 5% MV of fund’s net assets or $11,000
  - First year exempt
- Deductible gift recipient, both on the way in and on the way out – limitations.
- Requirement to maintain an investment strategy.
- Annual reporting and valuation obligations.

Things a PAF can't do

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- Seek public donations.
- Run a business.
- Borrow funds (unless it meets strict criteria).
- Distribute to a non-DGR (even on winding up).
- Totally obscure who controls it.

Who would want one and why?

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- Focused, impactful giving.
- Structured and planned giving over a period of time.
- Deeper engagement in causes you care about.
- Support under-funded or less known causes.
- Family legacy.
- Financial education for the next generation.
- Tax planning.

How long do they take to set up?

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- It depends!
  - Take the time to get on the same page first. Your family discussion is a critical part of this process.
  - Budget about 1-2 months for documentation and applications, but can take longer (dealing with external parties).
  - Plan for set-up, including time of year to establish.

What's the cost of maintaining a PAF?

Again… it depends! But to give you an idea:

- Distribution costs – due diligence and general compliance
- Maintaining financial records / accounting
- Investment fees
- Review / audit fees
- Reporting to ACNC and maintaining public records
- Payments to professional trustees / directors

Are they a good option for you?

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- Consider your circumstances
- How do you feel about:
  - Having long-term oversight and involvement and being ‘hands on’?
  - Limited donors.
  - Making a minimum annual distribution.
  - Meeting costs associated with management and administration.
  - Establish collective mission, vision and values for your family.

How we can help

Advice

Documents

Governance support

Compliance & Other Services

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Fiercely on your side.

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