

The new culture of philanthropy

'If the 3,000 Australian families with a net worth over \$20 million put 10% of their wealth into prescribed private funds, their collective investment would distribute \$1 billion per year to not-for-profit organisations – twenty times the current level'

By Ivana Jirasek, Coordinator of Artsupport Australia.

Australians are generous, and according to the Giving Australia [1] report released in October 2005, increasingly so. The report shows that the value of individual giving in 2004 was \$5.7 billion, being an increase of 88 per cent since 1997.

The report is the most comprehensive research on philanthropy ever compiled in Australia, and was produced for the Prime Minister's Community Business Partnership (PMCBP) - a group of prominent Australians brought together to advise Government on ways to strengthen partnerships between the community and business sectors.

It is also increasingly evident that Australians are enjoying more prosperity than ever before, through a sustained positive economy, and the inter-generational transfer of wealth. It would seem logical that the two trends are linked – when you're well provided for, you're more likely to be philanthropic. Every day, 47 new millionaires join the pool of 134,000 Australians who have more than \$1.33 million in assets apart from their family homes. In BRW's 2005 Rich List, there were six new billionaires.

We are still, however, a long way behind the US benchmark, where giving, calculated in 2004 as a proportion of GDP, was 1.6% compared with our 0.68%. The wealthiest Americans donate about 14.5% of their wealth to charitable foundations, while in Australia it is about 4%, although the social and economic contexts of each differ.

The PMCBP was instrumental in introducing tax reforms that would make philanthropy more attractive to both business and individuals, and in turn provide new income streams for the not-for-profit sector, that encompasses most cultural organisations. Spearheaded by David Gonski AO, Chair of the PMCBP's Tax Committee, the reforms have proved very successful.

The reforms included the establishment of a new structure of charitable trust called a prescribed private

fund (or PPF), which has been so appealing that nearly 500 have been established since mid-2001. PPFs offer greater flexibility and simplicity over previous formats, and provide a tax effective solution for investments of \$500,000 or more, with a long-term community benefit. In exchange for the tax benefits, this money is irrecoverable, being locked into the corpus of the foundation and a minimum of 5% must be distributed each year - by November last year, these foundations distributed \$52 million in grants to an array of charitable organisations.

The reforms also introduced 'workplace giving' as a mechanism for employees to donate a regular amount from their pre-tax salaries to a charity of choice. This option has the potential to provide regular income to not-for-profits - \$200 million a year if 10% of the Australian workforce donated \$2 per week from their pay.

The cultural sector is often overlooked as a candidate for philanthropic support – even though arts organisations are typically under-resourced to fulfill not only core objectives, but also their full community potential. Most rely on government funding to support their worthy aspirations, but this is unlikely to increase in the future. The arts may not save lives in the way that medical research and welfare agencies do, but they certainly make our lives better and more interesting. The arts provide the perfect means by which communities can be built and transformed, and by which difficult issues can be explored and communicated. It is widely recognised that creativity (arts) enhances educational performance and enjoyment. Many arts organisations, such as The Song Room, Operation Art and Big hART among others, provide effective community-oriented programs for the disadvantaged. To gain a sense of the sector's breadth, skim the exhaustive list of arts organisations with deductible gift recipient status on the Government's Register of Cultural Organisations (ROCO)

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To stimulate this pathway, Artsupport Australia (Artsupport) was launched by the Prime Minister in mid-2003, as a joint initiative between the Australia Business Arts Foundation (AbAF) and the Australia Council for the Arts to grow cultural philanthropy in this country. Its inaugural co-chairmen were the heads of the two organisations, respectively – James Strong AO and David Gonski AO. Since July 2006, Artsupport has continued under the sole auspices of the Australia Council, now with an expanded program. Artsupport works strategically across the arts, business, government and the philanthropic sectors to maximise the integration of the arts with philanthropic partners.

It works closely with arts organisations to build their potential for philanthropic support; with foundations and wealthy individuals to propose arts projects for philanthropic donations; and with government and philanthropic sectors to engage expertise, systems and networks that will support best practice. Headquartered in Sydney within the Australia Council, Artsupport draws on the expertise and national and international reach of Council staff to source information and advice. To meet the growing interest of philanthropic foundations and individuals in indigenous arts, for the next three years, Artsupport has commenced an indigenous mentorship program for arts organisations nationally, and has engaged a Darwin-based indigenous philanthropy specialist, to service organisations in the Northern Territory.

Artsupport Australia also promotes AbaF's Australia Cultural Fund, which enables donors (individuals, families, foundations and businesses) to receive tax deductions for donations to arts practitioners and cultural organisations that do not have Deductible Gift Recipient (DGR) status.

The new wave of philanthropy in Australia has the potential to make a huge difference to cultural organisations and in turn our communities and their wellbeing. PPFs and workplace giving are great innovations and need to be better promoted to Australians and especially financial planners and advisers. Australians are lucky to have the quality of life they enjoy and giving something back should not be hard. The Australian Taxation Office data suggests there are some 3000 families with net worth over \$20 million. If those families put 10% of their wealth into PPFs, their collective investment would distribute \$1 billion per year to not-for-profit organisations – twenty times the current level. Combined with effective workplace giving programs these new philanthropic income streams will make our society a better place, and there is much that arts organisations can contribute to this process.

More information on Giving Australia can be found at: http://www.partnerships.gov.au/philanthropy/philanthropy_research.shtml