

Take baby steps: gifting shares and dividends

The initiation into philanthropy doesn't always have to be a giant leap. Krystine Lumanta reports.

Many advisers seem to believe that if they bring up the philanthropy conversation with clients, they will have to set up a complex community trust or private ancillary fund (PAF).

However, there are alternative methods of giving that can be discussed with clients - no matter what their net worth - that are both straightforward and tax-effective.

ShareGift Australia and Investing in Hope are two initiatives that can be mentioned casually during meetings. The former accepts shares as donations and the latter accepts dividends.

Operating since June 2007 and founded by JBWere and the National Australia Bank (NAB), ShareGift Australia was created with the aim of freeing up "locked-up shares" that have become difficult to trade, normally because they are small parcels.

As small holdings are usually worth less than \$500, selling them can end up costing more than they are worth. However, ShareGift arranges for shareholders to sell and donate their listed shares, without incurring any brokerage.

An executive officer of ShareGift Australia, Andrea Broom, says that it "certainly doesn't replace what's already there [traditional donation methods] but I think it's an alternative".

"What it does is it releases funds that wouldn't have ordinarily been available to the community sector in Australia. It's an avenue for people to use their shares to donate [in] an easy and tax-deductible way... especially where it hasn't been economic to pay for brokerage fees on selling these holdings."

Broom says the concept is also a good way for financial planners to tidy up small holdings and tighten up a portfolio, as there is no minimum amount required.

"Some people will ring and be embarrassed that they've only got one share that they want to donate but you'll be surprised how those one shares add together to make a donation to a charity," Broom says.

To date, ShareGift has donated more than \$180,000 to more than 100 Australian not-for-profit organisations, although it is hoping to replicate the same success as the UK charity of the same name, which has so far generated more than 10 million pounds.

"We're not even close to that but the model works...and there's a phenomenal amount of untapped shareholdings out there," she says.

Other organisations have also taken up the share donation approach. However, Broom says potential donors should examine them closely as each will have a different distribution structure.

"We're unique in that 100 per cent of proceeds go to charity," she says.

Clients can also be introduced to giving through the Children's Hospitals Foundations Australia (CHFA) dividend donation program, Investing in Hope.

Melanie McKendry, national director of CHFA, says this initiative was set up to engage the corporate sector. She hopes the influential market of financial advisers will introduce this concept for businesses and companies to take on.

"Our program [offers] a choice for shareholders to donate their dividends, so they actually retain all their franking rights," she says.

"The idea behind this is that it's easier for people to come on board. The individual retains ownership of their shares and then it's a choice on the actual dividend.

"I think shareholders, through financial advisers, can start talking to their companies and say, 'We want to be able to do this, can you please

facilitate it?'

"That would be [very] beneficial to us in terms of trying to get some cut-through."

The dividend concept was established during 2004-2005 and was the primary reason for the five hospitals coming together as a partnership.

"[In order] for this to work there had to be a national focus," McKendry says.

"We've received a quarter of a million dollars since CHFA first started through dividend donations and the average donation is approximately \$250."

The foundation now wants to gain some momentum by ensuring that they don't just take a "top-down" approach.

"The challenge is awareness," McKendry says.

"If we can get out to an influential market such as financial planners and get [them] familiar with who we are and ways that people can help us, we're nearly nine-tenths there, really.

"We've been quite challenged with this concept and we've still got quite a long way to go."

Investing in Hope's revenue is well below five per cent of total donations received by CHFA's four initiatives. However, McKendry remains optimistic in turning this around.

"I'd like to see it make up 20 to 30 per cent of our total revenue within an 18-month period," she says.

"It's also our aim in the next 12 to 18 months to get at least 10 of the top 100 companies in Australia on board with this.

"An extraordinary amount of money is kicking around people's bottom drawers, so what a fantastic way for it to be put to good use. And the credibility it can give [to] an organisation is tremendous." ■