

Community Foundations: A strategic way to help clients to give

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LawTalk 911

Over the last 20 years, there has been a significant change of attitude in New Zealand towards the whole concept of charitable giving. The very word “philanthropy” once had negative connotations and conjured up images of rich people giving crumbs to the poor. But this has changed. Many people have an underlying desire to “give back”, “make a difference” and “leave this world a better place”.

It was just over 20 years ago that the first Community Foundation (CF) was established in New Zealand. A CF is a registered charitable trust which makes local charitable giving easy. It is governed by a volunteer board and donors are encouraged to establish their own Named Endowment Fund (NEF) under the umbrella of the CF. The money held in all of the NEFs is pooled for investment and administration purposes, but each NEF is separately accounted for as if it were a sub trust.

The donors are encouraged to give to their NEF, either during their lifetime or as bequests. The CF invests these funds on a permanent basis so that the capital remains intact; and then makes annual distributions (usually around 4%) to charitable purposes.

The donor who creates the NEF may either direct which charities are to benefit or may leave it to the CF to decide (or a combination of both).

A CF truly enables a “gift that will keep on giving – forever”.

What is our role as lawyers?

As lawyers, we have the privilege of developing what can be very strong and long-standing relationships with our clients. They come to us as trusted advisers, seeking guidance on a range of issues, and sometimes not of a strictly legal nature.

As professionals, it is definitely not for us to be telling clients what they should be doing in their wills. It is incumbent on us, however, to fully advise clients of options that are available when making a will.

People without children who have worked hard to establish their financial security are sometimes genuinely frustrated at just not knowing what to do with their estates. For these people, the idea of making a positive difference to their community on a permanent basis by having income paid to their chosen charity every year forever, is a very attractive one.

Likewise, parents with children naturally want to help their children first, but many love the idea of leaving, say, 10% of their estate to their local CF to provide that same long-term benefit to their community.

When clients seek my advice on making their wills, the discussion can often lead to charitable giving and I then explain that could be either a direct gift to a charity or a permanent endowment gift through a CF. My experience has been that most prefer endowment giving.

I have never sensed any resentment from clients for having raised the option of charitable giving. On the contrary, I have had many clients who have become very enthusiastic. Not only have they set up their NEFs through their CF and made provision for this in their wills, but in many cases they have chosen to start giving to their NEF while they are living. One client said, "It is better to give with a warm hand than a cold one", but then she confessed that what was even better was getting the 33% tax refund on her gift.

If you are not familiar with your local CF already, I suggest that you get in touch. They are a powerful connector of generosity to local causes and, as a lawyer, your role in the process is key.

What are Community Foundations?

The Community Foundation movement started in the United States and Canada about the middle of the 20th century and has rapidly spread across the world. All of them start small.

In Vancouver 75 years ago, Alice McKay sought the advice of W.J. Van Dusen, a partner in MacMillan-Bloedel, on what to do with the \$1,000 she had saved from her secretarial job. She wanted to invest her savings in a way that was both creative and significant for the people of British Columbia. Mr Van Dusen added \$1,000 to Miss McKay's savings and challenged nine other donors to match his gift. Then, with that initial endowment of \$11,000, he created Vancouver Foundation.

This modest fund of capital has today grown to more than \$1 billion and Vancouver Foundation, among the largest community foundations in North America, serves donors, charitable organisations and the people of British Columbia in a wide variety of ways. Over time it has grown to become a vitally important feature of the social and cultural landscape of British Columbia.

Time shows us that, when properly organised and carefully run, a community foundation can make a significant contribution to the quality of life in its town, city or region. It can be a very powerful force for good.

Here in New Zealand our community foundations are much more fledgling. Sir Stephen Tindall and The Tindall Foundation have been instrumental in assisting community foundations off the ground. Acorn Foundation in Tauranga, for example, has grown over 15 years to managing \$18 million in funds and is anticipating \$150 million in future bequests.

Currently, there are 14 community foundations in New Zealand. It's a growing movement with more in the planning stages. See more about community foundations at www.nzcommunityfoundations.org.nz

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