

STANFORD BROWN CHARITABLE FOUNDATION

Give with greater satisfaction and confidence



Create a lasting impact

“To give away money is an easy matter in any man’s power. But to decide to whom to give it, and how large and when, and for what purpose and how, is neither in every man’s power nor an easy matter.”

Aristotle (Ethics 360 BCE)

Philanthropy is a personal journey into complex and often unknown territory. We spend our lives dedicated to accumulating sufficient financial resources such that we can remove money as a source of worry. But, like Aristotle, we find the process of giving these funds away fiendishly difficult.

Leaving everything to the children may not be in their best interests. A public ancillary fund is a wonderful way of establishing structure and permanency to your giving program. It changes people from ad-hoc givers to structured philanthropists. It also enables families to come together to plan their charitable ventures as one unit. It can be a way to share your wealth, and to teach the next generation responsibility for the wealth they will one day inherit. PuAFs encourage families to find common passions and causes and to actively support their communities together.

Whilst deciding which organisations to support can be hugely rewarding, it can also be challenging. The not-for-profit sector in Australia is complex, and due diligence is essential to ensure you partner with a legitimate, appropriate, and fully registered charity.

Stanford Brown, in conjunction with Australian Philanthropic Services, can help you:

- Develop a set of philanthropic goals.
- Research areas of need that are of most interest to you.
- Put your grant-making plan into action.
- Measure the impact of your giving.

Many thanks for making this wonderful initiative possible and we hope you enjoy your philanthropic journey.

Jonathan Hoyle, CEO

What is a Public Ancillary Fund?

Public Ancillary Funds are special funds that provide a link between people who want to give ('donors') and organisations that can receive tax deductible donations as deductible gift recipients (DGRs). Ancillary funds are set up for the purpose of providing money, property or benefits to DGRs.

There are two types of ancillary funds that fall within a DGR category:

- Private Ancillary Funds, and
- Public Ancillary Funds.

KEY ADVANTAGES

The benefits of public ancillary funds include:

- **Simple** – A public ancillary fund has the administration, investment and governance activities as the responsibility of the trustee, leaving donors solely to think about the charities they would like to support. This has less administration costs than managing a Private Ancillary Fund.
- **Quick** – A subfund can be established immediately, as there is no requirement to establish a new trust or trustee company. A donor simply opens a new subfund.
- **Taxation benefits** – the money donated into your subfund is usually tax deductible in the year of the donation. A public ancillary fund is a tax exempt structure, so the philanthropic dollar goes further.
- **Portability** – In certain circumstances, it's possible to transfer assets from a public ancillary fund into a private ancillary fund, or PAF. Essentially this a 'DIY' philanthropic structure where administration, investment and governance activities would be your responsibility as trustee.
- **Naming** – The subfund can have a specific name, such as a family name, and grants to charities from the subfund will refer to this name. Anonymous grants are also possible.
- **Fiscal Management** – a well managed and wisely invested subfund will create an ongoing source of charitable income, whilst preserving the longevity of the initial donated capital.
- **Personal Fulfillment** – by establishing something in your lifetime, you can see the benefits of giving first hand and, if you choose, be directly involved with the causes you support.
- **A Family Legacy** – giving through a Public Ancillary Fund is a satisfying way to engage other family members, and helps to inspire future generations. You can set up the subfund in your family name and grants to charities will refer to this name.

ESTATE PLANNING

A subfund continues on past your lifetime. You can nominate a successor to take over grant nominations after your death. Alternatively if you do not want to pass this responsibility to family or friends, you can leave a statement of wishes with the Trustee, the Stanford Brown Charitable Foundation Pty Ltd, to continue your granting program.

You can also use your will to direct additional money to your subfund. A correctly constructed clause in your will ensures that leaving a gift to your subfund is a smooth process. It is important that this clause is worded carefully to help avoid unintended tax implications.

Please contact us if you would like more information.

The Stanford Brown Charitable Foundation

The Stanford Brown Charitable Foundation (SB Charitable Foundation) is a public ancillary fund. It may be a useful alternative for philanthropically-minded individuals who would like to:

- leave the administration, investment and statutory aspects of running a foundation to other responsible parties.
- invest to support charitable causes over the long-term. The minimum amount required to establish a subfund in the SB Charitable Foundation is \$50,000, whereas PAFs generally require a minimum of \$500,000 to be cost-efficient.
- Continue their philanthropic fund past their lifetime. You can nominate a successor to make grant nominations after your death, or leave a statement of your wishes with the Trustee.

KEY FEATURES OF THE STANFORD BROWN CHARITABLE FOUNDATION

Name of the Foundation	Stanford Brown Charitable Foundation (ABN 99 383 158 873)
Corporate Trustee	Stanford Brown Charitable Foundation Pty Ltd (ACN 613 484 763)
Directors of the Trustee	David Brown, Jonathan Hoyle, Hamish Harvey and Vincent O'Neill
Charitable Status of Foundation	The Stanford Brown (SB) Charitable Foundation is endorsed by the ATO as a Deductible Gift Recipient (DGR) from 12 Oct 2016. It is a public ancillary fund covered by Item 2 of the table in section 30-15 of the Income Tax Assessment Act 1997. SB Charitable Foundation is registered with the Australian Charities and Not-for-profits Commission (ACNC)
Governance	The SB Charitable Foundation is subject to the 2011 Public Ancillary Funds Guidelines and the NSW trusts Law. The Financial Statements and compliance with these guidelines are audited each year by an independent auditor.

DONATED FUNDS UNDER MANAGEMENT

Advisory Committee	The pooled donations of the SB Charitable Foundation are managed in a diversified fund by The Lunar Group Investment Committee.
Investment objectives	The investment strategy of the Foundation is based on a perpetual time horizon and is managed with the aim of generating returns that will enable the fund to continue to make donations at the required rate, and to continue to maintain the real value of donations indefinitely, after inflation and fees. In order to do this the fund will target a minimum real total return of at least 4% above the CPI inflation rate, averaged over rolling 7 year periods.

Investment management fees	<p>The Foundation will incur investment management fees* starting at 1.025% of the balance of the entire capital in the Trust, which will then reduce to 0.5125% once the Foundation has assets in excess of \$2 million.</p> <p>* a Reduced Input Tax Credit rate of 75% can be claimed by the charitable trust, thus resulting in net GST of 2.5%.</p>
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DONATING INTO A SUBFUND OF THE SB CHARITABLE FOUNDATION

Setting up a subfund	As a donor, you may name your subfund grants to charities. These grants can be referred to by the name of your subfund or they may be anonymous.
Establishment timeframe	A subfund can be created immediately upon receipt of a completed application form and cleared funds.
Operation costs for a subfund	<p>There are no initial costs to set up your own subfund in the SB Charitable Foundation; this will be covered by the Trustee.</p> <p>The operating cost for each subfund will be \$512.50 per annum (inc GST*) to cover all accounting, administration, secretariat, audit, and compliance. These functions are provided by Australian Philanthropic Services (APS).</p> <p>* a Reduced Input Tax Credit rate of 75% can be claimed by the charitable trust, thus resulting in net GST of 2.5%.</p>
Minimum donation	A minimum amount of \$50,000 is required to establish and maintain a subfund.
Grant making	<p>The SB Charitable Foundation is required to donate at least 4% of the balance of the funds under management as at 30 June each year.</p> <p>Soon after the completion of the audit of the financial statements of the SB Charitable Foundation, the Trustee will write to you and advise you of the value of your subfund as at 30 June. They will also provide you with the minimum 4% that must be granted to eligible charities (or other eligible organisations) during that financial year. The minimum grant is \$1,000 per charity.</p>
Eligible recipients of grants	<p>Eligible grant recipients are organisations with DGR Item 1 Status. This includes charities, public hospitals, libraries, museums and other organisations.</p> <p>The Trustee of SB Charitable Foundation welcomes and actively encourages donor involvement in identifying causes and organisations to be supported by grants. However, donors should note that under trust and tax law the final grant decisions ultimately rest with the Trustee.</p>

Investment objective and strategy

Stanford Brown and The Lunar Group offer a professionally managed investment fund that satisfies the necessary legislative requirements and provides an ideal way for Australians to carry out their philanthropic wishes and build a real legacy beyond their life span.

INVESTMENT RETURN GOAL

- The investment strategy of the fund is based on a perpetual time horizon and is managed with the aim of generating returns that will enable the fund to continue to make donations at the required rate, and to continue to maintain the real value of donations indefinitely, after inflation and fees.
- In order to do this the fund will target a minimum real total return of at least 4% above the CPI inflation rate, averaged over rolling 7 year periods.

INVESTMENT TIME HORIZON

- The portfolio is designed to last indefinitely and is managed on the assumption that there is no fixed or specific date in the future when liquidation is required. The donor is able to change donation wishes and/or investment managers at any time.

INVESTMENT OBJECTIVES AND CONSTRAINTS

- **Minimum donations requirement** - the fund will aim to generate returns that will enable it to satisfy the requirement to donate at least 4% of the capital value each year to eligible charities.
- **Inflation risk** – although the capital value of the fund will vary over time due to fluctuations in investment markets, the fund will be invested in a manner that will enable the real value of capital and withdrawals for donations to at least keep pace with inflation over the long term.
- **Capital value risk** – because of short term and medium term fluctuations in investment markets, the capital value of the fund will vary from year to year, and this will vary the minimum donation amount each year.
- **Income variability risk** – because interest rates, share dividends and property rents fluctuate, the investment income generated by the fund will vary from year to year and this may necessitate in the need to sell down part of the fund assets to satisfy the minimum donation requirement.
- **Liquidity risk** – the fund will be managed so that cash is held or readily available to meet obligations, including withdrawals to make the required donations.
- **Risk of permanent loss of capital and income** – this will be managed by careful research and prudent selection of investment funds and securities.
- **Diversification** – the fund will be invested across a range of asset types in order to maximise the likelihood of achieving the investment goals while minimising risks.
- **Turnover** - although the fund will not be subject to income tax, transaction levels and turnover will not be excessive, to minimise transaction costs and spreads.

- **Costs** – the fund will be managed to ensure that management and investment fees are kept low, bearing in mind that the lowest fee solution will not necessarily provide the best total return outcomes. Investments are managed on the basis of aiming to maximise returns for the level of risk and fees involved.
- The fund is not authorised to invest in collectables, direct operating businesses nor in any asset or entity that is not at arm’s length.
- The fund is not permitted to borrow nor to pledge assets as security for any purpose.
- Liquid asset buffer for withdrawals/donations.
- Because the minimum donation amount in some years may exceed the portfolio’s investment income from its underlying investments, it is expected that the donor maintain an additional portfolio of cash or readily liquid assets of 5% of the value of the fund. This will enable donation / withdrawal commitments to be met without having to sell down fund assets at inopportune times.

INVESTMENT STRATEGY

- The fund invests in a diversified mix of assets using a range of carefully selected active and passive managed funds, exchange traded funds and listed securities across domestic and global asset classes. Because of the need for the fund to at least maintain the real value of assets and income levels after inflation, after fees, and after withdrawals to meet minimum donation requirements, most of the fund will be invested in assets that are expected to provide an inflation hedge and also grow capital values and income in excess of inflation over the long term.
- These ‘growth assets’ will consist of listed Australian and international shares, and Australian and international listed and unlisted property funds.
- In addition, the investments will also include fixed income funds/securities to provide a higher degree of certainty of income and also to provide a buffer against shares in economic slowdowns.
- Cash and floating rate funds and securities to provide liquidity and also to a buffer against rising interest rates.

ASSET ALLOCATION

- The weighting of assets and asset classes are reviewed and adjusted quarterly within specific ranges.
- In setting and adjusting the weights of each asset class and investment we take into consideration relative valuations, return outlooks and likely risks, with the objective of achieving long term returns that suffer fewer, shallower and shorter setbacks than static allocation alone.
- The weight of ‘growth’ assets (including shares, property and alternative assets) will vary over time but is expected to average 65% of total assets.

Average asset allocations over time:

Asset class	Average weight over a market cycle
Australian shares	32%
Global shares	25%
Property	8%
Alternatives	0%
Australian Fixed Income	15%
Global Fixed Income	15%
Cash	5%
TOTAL	100%

Asset Allocation Ranges:

- Although the overall asset allocation will average around 65% 'growth assets' over a market cycle (typically 5 years), the weights of assets and asset classes will be reviewed and adjusted quarterly within the following specific allowable ranges:

	Min %	Neutral	Max %
Australian Shares	10%	32%	50%
Global Shares	10%	25%	40%
Property	0%	8%	40%
Alternatives	0%	0%	40%
Australian Fixed Income	0%	15%	40%
Global Fixed Income	0%	15%	20%
Cash	2%	5%	50%
TOTAL		100%	
Growth assets	35%	65%	80%

Typical number of funds/securities:

- The fund will typically hold around 15 to 25 funds and securities. In addition, where a 'separately managed account' is used in certain asset classes (for example Australian shares), this will typically comprise an additional 18-15 holdings in the overall portfolio.

Other Information

AUSTRALIAN PHILANTHROPIC SERVICE

The (SB Charitable Foundation is a Public Ancillary Fund (PuAF), employing both the investment knowledge of the Investment Committee of the Lunar Group and Stanford Brown and the support and administrative services of Australian Philanthropic Services (APS).

APS is a not-for-profit organisation which provides the SB Charitable Foundation with ongoing administration, including preparation of accounts and overseeing compliance.

CONTACT US

This publication is intended as a guide only.

If you have any questions, would like more information or if you would like to arrange a meeting to discuss your philanthropic options further, please call us on 02 9904 1555 or email info@stanfordbrown.com.au.

Stanford Brown Charitable Foundation

Subfund Application Form

DONOR DETAILS

Donor 1

Title (Mr, Mrs, Ms, Dr)

First name

Surname

Postal address

Suburb

State

Postcode

Phone

Mobile

Email address

Donor 2

Title (Mr, Mrs, Ms, Dr)

First name

Surname

Postal address

Suburb

State

Postcode

Phone

Mobile

Email address

DONATION DETAILS

Nominated name for your subfund

(Please note that subfund names cannot include the word "Foundation", "Trust" or "Fund")

Amount you wish to donate at the establishment of your subfund (minimum \$50,000)

Do you wish remain anonymous when making grants from your subfund?

Yes No

DONATION METHODS

A tax deductible receipt will be sent to you upon receipt of your payment. If the funds have come from someone else and the receipt should be in a different name to your name stated above, please advise us.

If you are paying by cheque, please forward this completed application and your cheque, made payable to Stanford Brown Charitable Foundation.

If you are directly depositing funds, payment details are as follows:

Account name	Stanford Brown Charitable Foundation
BSB	182 512
Account number	964 311 120
Reference	Subfund name (as nominated above)

SUCCESSOR NOMINATION (OPTIONAL)

Indicate below the details of the person you nominate to take over grant recommendations in the case of your death or if you experience mental incapacity or other legal disability.

Title (Mr, Mrs, Ms, Dr)

First name

Surname

Postal address

Suburb

State

Postcode

Phone

Mobile

Email address

ACKNOWLEDGEMENT

- I/We have read the attached brochure for the Stanford Brown Charitable Foundation and agree to be bound by the provisions of the Deed of Trust and any other additional terms and conditions contained in this brochure.
- I/We understand that any donation once accepted by the Trustee represents an irrevocable donation to the Stanford Brown Charitable Foundation and is not refundable to me/us.
- I/We certify that I/we will not receive any benefit, directly or indirectly, from the charitable or community organisations recommended to receive grants from my/our subfund.
- I/We understand that the Trustee ultimately decides which eligible organisations will benefit from each subfund and is under no legal obligation to follow my/our recommendation.

Signature

Name (Donor 1)

Signature

Name (Donor 2)

(STANFORD BROWN)

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