

a guide to Philanthropy

Successful philanthropy is more than just providing for an immediate social need. Effective and enduring giving requires purpose, strategy, management and evaluation to measure the true impact of your generosity, and to achieve that a planned approach is essential.

Guardian Trust's Centre for Philanthropy exists to ensure your philanthropic gift keeps on giving. For this, sustainability and effectiveness is the key and is at the heart of our approach. Our role is to ensure that your philanthropic funding and intentions are translated into ongoing successful results, whichever area of society you wish to benefit.

We have been managing private wealth and charitable funds for over 125 years. Over this time we have established a proud reputation for long-term planning, prudent management and specialist trust administration. It is through this experience and expertise that we have been able to help clients create lasting legacies for the future.

Our advice at the Centre for Philanthropy is based on three core principles: Smart Giving, Strategic Investing and Effective Granting.

THREE KEY ELEMENTS OF STRATEGIC PHILANTHROPY

Smart Giving

Ensuring donors can choose the most appropriate philanthropic strategy by leading and innovating philanthropic giving in New Zealand.

Investment Strategies

Maximising the potential of donor giving through strong investment strategy and management.

Effective Granting

Maximising the impact delivered to beneficiaries through a detailed, innovative approach to granting.

1. SMART GIVING

Smart Giving is the process of developing a planned giving programme that will continue to support your chosen cause sustainably over time. All the elements that go into making social investment decisions require careful consideration, in the same way any financial investment would. These include identifying your philanthropic objectives, the amount you have available to gift, the causes you wish to support, the duration of time you want to provide support and the level of involvement you wish to have. Together with access to our unique Knowledge Base and the benefit of our extensive experience, we will help you develop a giving strategy that answers these questions and ensures your philanthropic gift provides maximum social impact.

How should I structure my giving?

This depends on what you want your gift to achieve and the funds you have available to support that ambition. Lump sums of a higher value are more suited to being settled in a private charitable trust, while smaller sums can be managed through umbrella trusts* or simply by making a direct donation or bequest. We set up and administer a range of charitable structures and advise on the most suitable and appropriate vehicle for your giving.

** A trust which accepts funds from multiple donors and distributes benefits for specific purposes across multiple philanthropic sectors.*

Who do I choose to give to?

Your reasons for choosing a particular cause or charity to support are often very personal, and uniquely yours. Our role is not to influence or promote specific causes, but rather to help you define how you wish to direct your giving. We provide access to our proprietary Knowledge Base* which contains detailed information about specific charities that helps you decide where your funds should be directed to best achieve your goals.

** See page 3 for more information.*

When should I give?

There are several important considerations in deciding when your gift or gifts should be made. The options are while you are alive, after your lifetime or you could choose to do both.

■ During your lifetime ...

You may choose to make regular donations to charities of your choice out of your income. Recent changes in tax legislation in New Zealand have now made it generally possible for individuals and companies to claim full tax relief on donations made to organisations who have approved donee status from the IRD. Gifts to charities are exempt from gift duty as long as the charity is registered with the Charities Commission at the time of making the gift.

For those who wish to make large donations, a structure established during your lifetime (such as a charitable trust) may be the preferred solution. This enables you to be actively involved in developing your philanthropic legacy and participate in the benefits it bestows. Your involvement can be as much or

as little as you wish - depending on whether you want to take a hands-on approach and be fully involved in the management and granting of funds, or whether you prefer to take a strategic role. Over time, your involvement may also change depending on your circumstances and other commitments.

■ After your lifetime ...

You may choose to leave a bequest in your Will. This can be paid over directly by your executor to the cause of your choice or, under your Will, you can establish a trust for a specific cause and say how those funds should be applied.

■ Another option would be to establish a 'shell' trust during your lifetime and leave funds to the 'shell' trust in your Will.

The option you choose will depend on your personal circumstances and preferences. Our Client Managers are able to advise you personally and guide you through the pros and cons of each option.

We have worked with many of New Zealand's largest and most effective charities over decades and have seen the rewards that come from humble gifts which, when carefully managed, make a significant contribution to society. We have also helped many of New Zealand's most generous citizens establish legacies which will see private funding improve our society for generations to come. It is in the role of catalyst - bringing philanthropist and cause together - that we excel.

The Knowledge Base

Following wide consultation with our clients, other active philanthropists and the wider charitable sector in general, it became clear there exists a need for greater understanding and information about the services and programmes being delivered by charitable organisations. To address this, Guardian Trust set to work developing a detailed and constantly evolving database profiling New Zealand charities in-depth; their organisational objectives, current initiatives and future projects.

The Knowledge Base is the result - a comprehensive resource providing information on charities large and small throughout the country to a level far beyond what is commonly available in the public domain. It delves into the very heart of how they operate, their strategies, current and future plans, how they're funded, and much more. This information is kept current by the organisations themselves through secure access from our website.

A valuable decision-making tool for donors, the Knowledge Base offers greater choice for philanthropic giving by providing a better understanding of what causes and charities are available to support. It is a central component of the Smart Giving process for developing sustainable, effective giving programmes that benefit charitable organisations. It is available to all Guardian Trust clients, whether they wish to set up their own charitable trust or leave a bequest in their Will.

An extensive range of operating charities is now profiled in the Knowledge Base covering all the major sectors:

- Accommodation / housing
- Education / training / research
- Health
- Environment / conservation
- Marae on reservation land
- Community development
- Emergency / disaster relief
- Social services
- Religious activities
- Employment
- Arts / culture / heritage
- Sport / recreation
- Care / protection of animals
- International activities
- Economic development
- Fund-raising
- Disability
- Promotion of volunteering

Through the Knowledge Base, lesser known charities in New Zealand can become visible to private philanthropists and potentially a target for granting from existing charitable trusts. Very often smaller charities struggle for funding simply because they don't have the means to increase their profile through marketing activities. Guardian Trust is committed to helping these charities increase their visibility through the Knowledge Base.

Structures for Giving

Charitable Trusts

A charitable trust is similar to any other trust - the trustees hold the assets or investments on trust as specified in the Trust Deed or Will. In the case of a charitable trust there are no individual beneficiaries but rather a particular charitable purpose or purposes.

What is 'charitable'?

The law has a very specific definition of what qualifies as a charity and it is not enough to simply 'do good works' or 'support community activity'. The origin of this definition can be traced back to English legislation passed in 1601 during the reign of Elizabeth I. Over the years the Courts have refined the definition of charity.

To qualify, charities must fulfil one of four purposes:

■ Relief of Poverty

Generally, this covers not only those who are absolutely destitute, but also those facing difficult financial circumstances. In some cases the charitable purpose may be to help out impoverished members of an extended family group rather than the community as a whole.

■ Advancement of Education

This can include any category of learning, such as music, art, law, medicine, literature, scientific research and so on. However, there must be some element of public benefit.

■ Advancement of Religion

Most established forms of religion are now included under this heading. Again there must be some public benefit. A trust for a closed group which is shut away from the material world may not qualify as a charity.

■ Other Purposes Beneficial to the Community

Not all community work will qualify as a charity. The Courts have limited charitable purposes under this heading to activities such as public works, animal welfare, health promotion, recreational facilities, rehabilitation, civic amenities and activities of that nature. There must be some public benefit but that is not in itself sufficient to qualify under this heading.

What are the benefits?

All charitable trusts, whether registered under the Charities Act 2005 or not, are exempt from some of the restrictions normally imposed on trusts:

- There is no time limit on how long the trust may last - it can last forever.
- The trust will not end - if the original purpose no longer exists, requires funding, or is relevant, then the Court can identify other similar charitable purposes and adapt the trust accordingly.

If a trust is registered under the Charities Act 2005 there are additional benefits:

- Income earned by the charitable trust, such as interest on investments, is tax-free.

- If the trust has also obtained approved donee status with the Inland Revenue, then all gifts to the trust qualify for the charitable donation rebate.

Note: It is possible to have a valid charitable trust which is not registered under the Charities Act. In that case the trust would have to pay tax on income it earns.

Setting up a Charitable Trust

Although setting up a charitable trust is similar to establishing other trusts, such as a family trust, there are some important differences that need to be taken into account. Because charitable trusts can last in perpetuity, their structure needs to provide for long-term flexibility - enabling future trustees to continue carrying out your intentions, even when society and social needs have changed.

For this reason it is important to invest enough time at the outset to fully consider all aspects of the intended benefit to ensure the charitable purpose remains relevant in the future and avoid complications or unnecessary expense further down the track.

Defining the purposes of your trust

In our experience, if the purposes of the trust are drafted too narrowly, they may well fail to be relevant at some point in the future. This can prove both time-consuming and expensive to solve. To avoid this, we will work closely with you to understand and then clearly state in your Trust Deed the purposes of your trust, taking into account possible future changes. We will establish and record your views and preferences as to how you would like your future trustees to interpret those purposes, to assist them in giving effect to your wishes and staying true to your original intentions for setting up the trust.

What your trustees can do and must do

We will develop the powers you want the trustees to have in respect of administering your trust so they can carry out your intentions. At the same time we will include any duties that you feel the trustees must observe in carrying out the trust.

Setting the strategy for your trust

Together with you, we will establish a strategy for the trust that defines how the trustees will achieve the trust's objectives. This will take into account the purposes of the trust and your stated wishes and preferences. We will review this strategy from time-to-time to ensure that it remains true to your intentions and is both effective and efficient in achieving those purposes.

Governance and compliance

We will apply for your trust to be registered with the Charities Commission* and where appropriate obtain approved donee status from the IRD so that your trust can be both compliant and tax efficient. If we are appointed as your trustee, we will ensure that proper records and accounts are maintained, as well as filing the annual return with the Charities Commission on behalf of the trust.

** The Charities Commission was established in 2005 under the Charities Act and is responsible for registering and monitoring charitable organisations in New Zealand, as well as providing support and education to the charitable sector on good governance and management. The Minister responsible for the Commission is the Minister for the Community and Voluntary Sector.*

Choosing the trustees

There are various options to consider when choosing the initial trustees and establishing a mechanism for appointing new ones in the future. Choosing the right trustees will depend on your personal preferences and the nature of the trust you wish to create. The law allows for the appointment of different types of trustees whose responsibilities have been defined over the years by parliament and the courts. How you wish to be personally involved in the ongoing management of the trust is a matter of choice.

Guardian Trust offers four basic options:

1. Appointing Guardian Trust as the 'Responsible Trustee' with you as an 'Advisory Trustee'.
2. Appointing Guardian Trust as the 'Responsible Trustee' with an 'Advisory Board or committee'.
3. Appointing Guardian Trust as a 'Custodian Trustee' acting on the instructions of responsible trustees appointed by you.
4. Appointing Guardian Trust as a co-trustee to act jointly with other responsible trustees, appointed by you, in making decisions concerning the trust. In such cases, Guardian Trust will undertake the secretarial, record-keeping and accounting work on behalf of the trust. We also often act as investment adviser and manager for all the responsible trustees who set the investment parameters.

NOTE: Under options 2 & 3, you can also appoint Guardian Trust to be a member of the Advisory Board or a co-trustee with other responsible trustees.

■ Responsible Trustees

They are responsible for managing the trust assets and carrying out the purposes of the trust. Responsible trustees must observe the duties imposed on them by the Trust Deed and must act fairly, reasonably and honestly. If the trust is registered with the Charities Commission, they will be the officers legally responsible for filing annual returns and ensuring the trust remains compliant. There are penalties imposed under legislation for failing to do so. Trustees are generally personally liable for their own actions and those of their co-trustees.

Trustees can be individuals or a professional corporate trustee such as Guardian Trust. In the case of individuals they can also incorporate as a board.

■ Advisory Trustees

Advisory trustees are appointed under the trust deed and are there to be consulted by the responsible trustees on matters stipulated in the deed. The advisory trustee can be given wide powers, including how much income is to be paid out each year. The responsible trustees are not legally bound by the recommendations of the advisory trustees but where they do follow those recommendations they are afforded some legal protection for their actions. The person establishing a charitable trust can be included as an advisory trustee.

■ Advisory Board

Some charitable trusts establish a board (or boards) of advisory trustees who have particular expertise or knowledge in relation to carrying out the purposes of the trust; for example, in relation to grant-making and assessing grant applications for a trust established to support medical research. A board is usually given wider powers than an advisory trustee.

■ Custodian Trustee

In some trusts the assets and investments of the trust are held in the name of a custodian trustee. In such cases they act on the instructions of the responsible trustees in respect of the management of those assets. When not appointed as responsible trustee, Guardian Trust often takes on this role, frequently in conjunction with the role of investment adviser and manager for the responsible trustees, sometimes under a mandate to invest within the parameters set by the responsible trustees.

The role of a trustee should never be taken lightly and this is especially true for trustees of charitable trusts.

When deciding who to choose as trustees and what role they are to perform, it is important to assess how they measure up under these criteria:

■ Expertise

It is imperative that the trustee(s) has the know-how to manage every aspect of the trust and its administration professionally - from managing the trust assets effectively to making granting decisions and measuring their outcomes.

■ Experience

An experienced trustee is particularly valuable when a long-term approach is required. Understanding the economic and social dynamics of the markets in which the trust operates is critical to success and delivering social change.

■ Commitment

Whilst it is desirable that your trustee(s) should be as committed to your cause as you are, it is more important that they are fully committed to the ongoing management of the trust and, especially, to ensuring your intentions are upheld at all times. Effective philanthropy requires a long-term perspective, and ensuring your gift continues to be available over the long-term requires a thorough approach to every aspect of its management, and this is a significant commitment on the part of the trustee(s).

■ Continuity

It is particularly important where the trust will continue in perpetuity, or at least beyond your lifetime, that the trustee(s) continues to manage the trust in the spirit in which you intended. As a corporate trustee, Guardian Trust is well positioned to provide the longevity you require, supported by our effective granting processes, ensuring your intentions continue to be upheld.

Endowment Funds

One way to provide a secure and predictable future revenue stream to fund a charity is through the development and growth of an endowment fund. This can be a particularly effective way to fund the future operating costs of the charity.

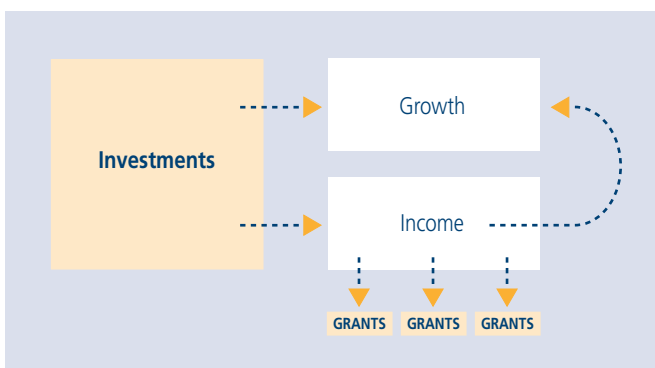
It is important that the fund is allowed to grow by:

- Directing some existing and future capital receipts away from meeting current operating costs and into the fund.
- Attracting additional funding specifically for the fund.
- Re-investing the fund's income so that it can compound.
- Establishing clear investment objectives.
- Sound long-term management of the fund.

For the charitable organisation, we can implement various strategies to help grow an endowment fund, and this could include seeking seed funding from one or more of our existing trusts or clients, or establishing a bequest programme.

2. STRATEGIC INVESTMENT

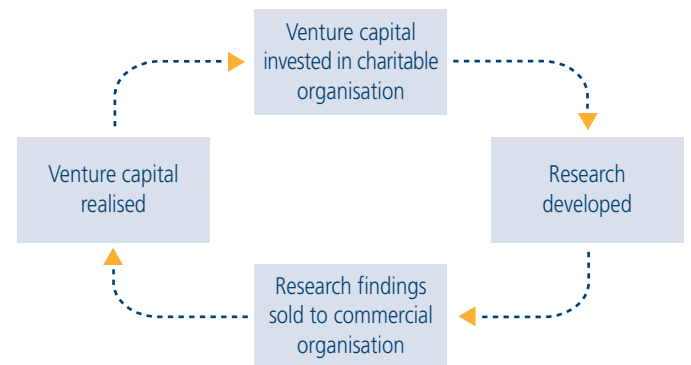
One of the key advantages Guardian Trust offers private philanthropists is our established track record in successfully managing investments for both private individuals and perpetual charitable trusts. As trustees and specialist investment managers we take a long-term, strategic view across several generations, carefully balancing the interests of the present with those of the future.



Without doubt, the investment of funds is the engine that drives the ability to make a difference - it provides the means to support your chosen charitable cause(s). How the funds are invested will depend on your overall philanthropic strategy, the size of the initial investment and how much funding it must generate to achieve your goals. A commercial outlook is necessary to ensure the practical application of investment techniques that will generate funds far into the future.

There are many options for creating sustainable funding. How much should be invested, or re-invested? How much should be granted? Your Client Manager will discuss the options and develop an investment strategy that will support your goals.

Venture Philanthropy



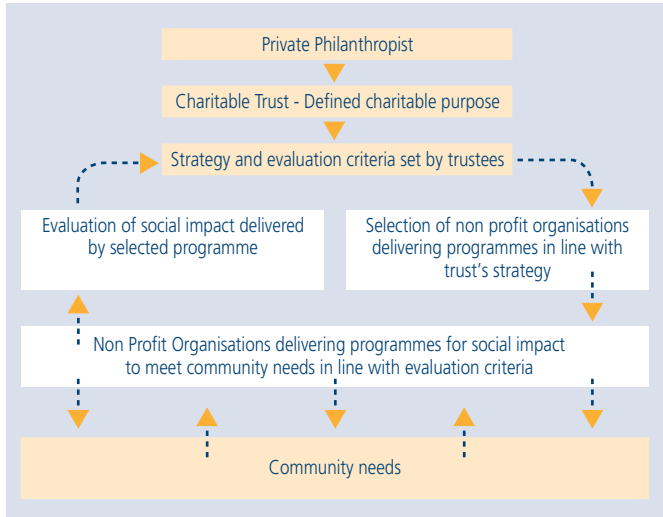
Venture Philanthropy is a leading edge approach to philanthropic funding which is increasing in popularity, particularly in some areas of health research. It uses charitable funds to help finance ventures through taking an equity stake (part ownership) in the research that generates intellectual property which in turn can be sold. The capital raised from the sale is re-invested to finance further philanthropic ventures.

3. EFFECTIVE GRANTING

Core to the strategic giving process is the practice of effective granting. How much is available for granting and how frequently distributions can be made is determined by the investment strategy which in turn is set-up to support the trust in achieving its purposes. Essentially, effective granting is ensuring that funds are distributed where they will have the best possible effect.



To be effective, granting must follow a very considered process whereby grant seekers are carefully selected by evaluation against identified criteria that will achieve the philanthropic purpose. For example, key considerations would be the objectives of the grant seeker, their previous undertakings and achievements, and the extent to which these supported the donor's philanthropic purpose.



Effective granting involves a rigorous evaluation process to ensure funds are going to the best recipient as measured against the original intentions of the donor, even after the donor is no longer around to direct its purpose.

Critical to achieving success through effective granting is in the results. Guardian Trust has established processes for assessing the impact of your funding and measuring the social return of your philanthropic investment.

Centre for Philanthropy

Guardian Trust founded the Centre for Philanthropy based on a long and proud history of helping private philanthropists realise their philanthropic goals. A leader in the charitable trust sector, we manage over 430 charitable trusts and distribute in excess of \$26 million on behalf of clients to charities around the country. In the last three years alone, this funding support has helped benefit over 530 charities and the causes they champion.

The Centre provides a platform that enables private philanthropists to choose the best way to structure and target their giving to achieve maximum social impact by creating sustainable funding. You will have access to our most senior staff who have considerable experience in working with the charities sector and have a wealth of expertise in this field. They are well positioned to advise you in developing your own strategic giving programme and have direct access to Guardian Trust's in-house legal, tax and investment specialists to ensure that you have the best advice available and that your altruistic goals become sustainable social investment.

More information
 Call in to any of our branches, visit our website www.guardiantrust.co.nz or telephone Guardian Trust on **0800 87 87 82** for more information.

Who is Guardian Trust?

The New Zealand Guardian Trust Company Limited (Guardian Trust) is a leading New Zealand financial adviser, trustee and asset manager.

It is a Statutory Trustee Company with its own Act of Parliament. Guardian Trust has been an industry leader in providing trustee and financial services with origins dating back to 1882.

Our Corporate Philosophy

We believe that our people are the single most important asset of our business and that their understanding of your unique needs, face-to-face, is key to developing the best possible solutions for protecting and growing your wealth.

Our 'lifetime planning' philosophy means that we value strong, long-term client partnerships. It also means, as your circumstances and needs change, our company will be there with straightforward answers and the ability to quickly adapt management protection strategies to enable you to continuously preserve and grow your wealth.

We help New Zealanders build and protect their dreams.

Guardian Trust is a wholly owned subsidiary of the Suncorp Group of companies.

Guardian Trust

For further information call us on **0800 87 87 82**
or visit: www.guardiantrust.co.nz