

# Philanthropy Fact Sheet



**Australian  
Philanthropic  
Services**

Simple. Strategic. Rewarding.

Private and public ancillary funds enable an individual, family or organisation to put aside a chunk of money in a trust to support charities over the long term. They are an efficient, satisfying and tax effective way to put a structure around your philanthropy.

## Benefits of structured giving

By setting up a philanthropic structure, you can:

- Make a tax deductible donation now and decide which charities to support later.
- Invest your charitable funds over the long-term.
- Provide an enduring revenue stream to charities.
- Involve family members, children, grandchildren and generations to come.
- Create a lasting legacy.

## Private Ancillary Funds

A private ancillary fund (PAF) is a type of charitable trust that allows an individual, family or organisation to put aside a chunk of money for charitable purposes in perpetuity. An individual donates capital into the PAF (generally starting with upwards of \$1 million) and gets a tax deduction for the donation. The capital is then invested long-term, and a minimum of 5% of the value of the PAF assets must be distributed as grants to charities each year. To be eligible, a charity must have Deductible Gift Recipient Item 1 status, and plenty do - there are well over 20,000 charities to choose from.

The PAF is controlled by a trustee who determines its philanthropic objectives and oversees investment and grantmaking strategies. The directors of the trustee are normally family members with one independent director (the Responsible Person).

## Sub-fund in a public ancillary fund

A public ancillary fund (PuAF) has the same tax advantages as a PAF but is a communal structure. Unlike a PAF, there is no requirement to establish a new trust or trustee company, so a named sub-fund can be established immediately (even just a few days before 30 June), and there's no set-up cost to do this. Initial amounts

donated are usually smaller – for example, a sub-fund in the Australian Philanthropic Services Foundation can be established with \$50,000. A minimum of 4% of the PuAF assets must be given away each year, slightly lower than with a PAF, and the same range of charities can be supported.

## Portability

Portability is allowed which means, for example, that someone could set up a sub-fund in a public ancillary fund, grow the balance over a few years, and then transfer the funds to their own PAF down the track. You can also transfer a PAF into a sub-fund of the APS Foundation if you no longer wish to operate your own structure.

## Supporting charities

Deciding which charities to support is hugely rewarding, but the not-for-profit sector is complex. It takes time to think through the issues you want to support and the impact you want to have. Rather than having to make a quick decision, a PAF or sub-fund allows an immediate tax deduction while the choice of charity can be made at a later stage when there is more time for research.

One of the most satisfying aspects of being actively involved in philanthropy is that you gain a deeper understanding of the organisations and causes you choose to support. It is a rewarding experience to see the positive impact of your support on the community.

## Creating a legacy

A philanthropic structure is an important investment in the future. Multi-year funding commitments are easier as you know the money is already set aside, and the charity has the benefit of knowing they have a revenue stream for the next few years. It can help increase social awareness of children and inspire future generations, and ensure your philanthropic legacy continues for many years to come.

**For more information, contact Australian Philanthropic Services**

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## Quick reference guide - what structure is right for me?

Feature	Private Ancillary Fund (PAF) Setting up your own PAF with APS	Public Ancillary Fund (PuAF) Setting up a sub-fund in APS Foundation
<b>Establishment</b>		
How long does it take to get started?	6 weeks	48 hours
Are there establishment costs?*	Yes – APS charges \$3,000	No
<b>Donations</b>		
How much do I need to get started?	\$1 million is recommended	\$50,000 minimum donation
How often do I have to contribute to my fund?	As often or as infrequently as you like. There is no requirement to contribute on a regular basis	As often or as infrequently as you like. There is no requirement to contribute on a regular basis
Can I get a tax deduction?	Yes – can be spread over 5 years	Yes – can be spread over 5 years
Can the general public contribute to my fund?	Restricted	Allowed
<b>Control</b>		
Who is the trustee?	You can choose. APS will arrange a special purpose company, for whom you nominate directors, to act as trustee	APS Foundation Pty Ltd
Who are the directors of the trustee?	You can choose. Directors will generally be family members and/or business associates and one independent person (the 'Responsible Person')	APS Chairman Chris Cuffe, Technical Director David Ward and CEO Antonia Ruffell
Can I have a say in grantmaking decisions?	Yes. As directors of the trustee company you decide	Yes. You make recommendations to the trustee about grants to be made from your sub-fund
<b>Grantmaking</b>		
Who can receive grants?	Charities with Deductible Gift Recipient (DGR) Item 1 status	Charities with Deductible Gift Recipient (DGR) Item 1 status
How much has to be distributed each year?	5% of the opening value of the fund each year	4% of the opening value of the sub-fund each year
<b>Investments</b>		
Who manages the investments?	You choose the wealth manager or can manage investments yourself.	One diversified, pooled investment strategy, managed by APS
Are the investments tax-exempt?	Yes	Yes
Are franking credits refunded?	Yes	Yes
<b>Administration &amp; compliance</b>		
What does APS Administration Service include?	All accounting, administration, secretariat and compliance functions as well as grantmaking support	All accounting, administration, secretariat, audit and compliance functions, as well as grantmaking support and investment management
What are the ongoing APS administration costs?*	\$7,500 p.a. for PAFs under \$1.5 million \$10,000 p.a. for PAFs above \$1.5 million	1% p.a. of account balance
Is an audit required?	Yes - APS will facilitate	Yes, for the total foundation

\*all fees quoted are net of GST e.g. \$3,000 + GST = \$3,300 total fee payable.

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