



Why charity doesn't start at home

Columnist: Mandy Lamkin, Enrich Australia director

In a recent column, *The Sydney Morning Herald's* economics editor, Ross Gittins, talked about the fact everything we do is motivated by a desire to be happy. Furthermore, the process of seeking happiness does not end when we have what we were previously sure would satisfy us.

We know from studies and our own observations that contentment is not achieved just by security, money, a roof over our head – for human beings the search is continual for the next and better happiness. So while good financial return on investments may be a great outcome for you and your client, it will never be enough. Your client will want more and you will want to keep them satisfied. To do so is to fulfil the ultimate self-actualisation goal of humans who, having the capacity to put aside concerns about the basic needs in life, seek to make their existence matter.

THE VEHICLE

Changes to prescribed private funds (PPF) came into effect on 1 October and the philanthropic vehicle introduced in 2001 will now be known as private ancillary funds. While the changes are mainly technical, the fact there was wide and effective consultation on them is an indication about how seriously philanthropy and its structures are being taken in officialdom and indeed the financial sector, which contributed widely to the process of the government's adjustment to PPFs.

For a long time the opinion of many advisers was that philanthropy did not have relevance in their business. If investors were interested in structured giving, they were passed on to their accountants, who would often debunk the client's plan on the basis it was not, in their opinion, a sound financial strategy. This was an unfortunate outcome as everyone in this picture was missing out.

The reality was that providers were largely ill-equipped and unaware of what they were passing over. In addition, the fact the client's giving was actually part of their life plan was something advisers should have realised and

capitalised on. While I am writing hopefully in past tense, the truth is this attitude is still common in the industry. The potential that was previously lost on advisers, however, is now awakening, especially in this increasingly fee-for-service landscape.

Moreover, if you have clients who fall into the high net worth or mass-affluent categories, then you should know something about philanthropy and its relevance to these people's demographic. At the very least you need to know where to go to get the philanthropic solution, technical assistance and back-up you may need if a client shows interest or brings it up before you do.

THE RELEVANCE FOR THEM

Some key questions on the potential of philanthropy in your business might clarify its value or help you decide if you need to gear yourself up in this area by getting some training or partnering with specialist consultants and firms.

Raising the potential of philanthropy is relevant if you have clients who are:

- preparing their retirement strategies,
- selling a business,
- appreciate extra and creative solutions for their fees,
- already giving to charity in some form,
- concerned about the fate of their inheritance in the culture of future generations,
- dissatisfied with life,
- divorced with children and/or have a blended family,
- intrigued by the possibility of having their own foundation,
- in need of something interesting to engage them,
- passing on financial literacy skills to their offspring,
- looking for a personal memorial or legacy,
- in the process of implementing philanthropic strategies into their own business, or
- the kind of people who want to make a difference.

THE RELEVANCE FOR YOU

Philanthropy also has direct potential for your business. The other day I was consulted by a financial planner who is taking his whole staff to work on a project in Asia in January and he needed some advice on how to do it efficiently. Why spend his precious leave like this and take his staff? Because he wants to stop talking about the potential of philanthropy and actually do it, and because he recognises the huge potential attached to not doing it on his own.

Furthermore, in time this adviser will create a philanthropic structure for his business in which he can directly engage clients – by offering them a means for redirecting tax liabilities or a place on the fund's advisory board, for just two business-savvy reasons.

Philanthropy might be about hugging trees for your clients – if that's what they want – but it can be much more creative and productive when it comes to you and your business. If you haven't already, get past the idea that client philanthropy means your clients give away the money they would otherwise have invested with you. For them it's an investment, albeit for social not financial returns. And for you, your job remains the same in helping them invest in ways that will not only make their money work harder and more effectively, but take you along for the ride.

As Gittins points out, materialism breeds dissatisfaction with itself. When something depends on itself to be fulfilled, there's a cat and a chased tail in the story somewhere. So you may consider philanthropy as an alternative solution to breaking the oft-undefined dilemmas of your clients in finding satisfaction through their money.

And with philanthropy-ready baby boomers now returning from the hills and back to their number-one spot on the scale of business potential, the ideal solutions for them are probably also what's good for the world. All with no tree hugging required on your part, though your client may want to give you one. «

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