

Philanthropy – the history, challenges and opportunities

24 September 2019 by [Nicola Hankinson](#) , [Stephanie Wylde](#)

“Philanthropy is the act of giving financial resources to a cause that is intended to improve general human well-being, and where the giver expects no direct reciprocation.”

– Giving New Zealand: Philanthropic Funding 2014

Our not-for-profit reporting expert, Stephanie Wylde, and National Technical Manager, Nicola Hankinson, outline the growing role of philanthropy in NZ and explore issues and opportunities the sector faces. We welcome [feedback](#) on this article or any topics you would like us to cover in future.

The history of philanthropy in New Zealand

Family trusts and foundations not directly established by specific statute, are the earliest noted forms of philanthropy in New Zealand. A significant amount of ‘family trusts’ were established prior to the 1950’s, many of these based on wealth acquired through classic ‘rags to riches’ stories. A number of these trusts decided to share their wealth with people they considered to be less fortunate.

By 1964 the New Zealand Council for Educational Research (NZCER) listed 70 grant-making trusts across Zealand. This increased to 350 philanthropic, government and local government funding schemes by 1992.

Today New Zealand is ranked the third most generous country in the world in the latest Charities Aid Foundation (CAF) World Giving Index, just half a per cent behind Australia, with Indonesia taking top place in the generosity stakes. This ranking is based on three components – donations made to a charity, volunteer time and willingness to help a stranger. (Source: [NZ Herald](#))

Each year, individuals, trusts and charities give around \$3 billion to New Zealand causes (Source: [Stuff](#)). Individuals give around \$1.5 billion in personal donations to charitable organisations. The Christchurch Earthquakes showed how generous we are, with New

Zealanders donating approximately \$130 million. Crowdfunding and giving pages, (where fundraising is done online), have made it easier for individuals to donate money and support causes they believe in.

So, what can be improved if the Kiwi spirit is so generous?

'Giving money away and doing it well is not easy'. A recent NZ Herald article discussed a family that shot to NBR's Rich List after the sale of a business and were flooded with requests to help from all types of people and organisations. The family sought advice to help them structure a new foundation and focus their activities, realising that it takes time and expertise to give money away effectively. (Source: [NZ Herald](#))

How do we ensure we 'philanthropise' well? How do we do more and do better?

• **Connections: Linking philanthropists up with each other**

By connecting individual philanthropists with existing community programmes, the impact of philanthropy could be increased and the process of giving simplified. Organisations like [Philanthropy New Zealand](#) have been created to represent and support philanthropy and grant-making in New Zealand.

Other benefits of connecting philanthropists include increasing awareness of the existence of local community programmes as effective local philanthropic partners and improving community programmes capacity and confidence in individual philanthropists.

• **Improved focus: sticking to a core mission or initiative and communicating progress in achieving it**

Natural disasters and other urgent one-off events can help to galvanise communities to work together to come up with a solution. However, many charitable organisations have been set up to address longer-term issues that take a greater timeframe to address. There is a risk that these organisations can more easily get side-tracked and divert attention from their core mission or initiative. Recently we have seen the emergence of organisations that can unify philanthropists and donors by identifying societal issues with a specific set of goals and mobilise the community to address them. By focussing on the problem that needs solving, such as mental health or child poverty, or initiatives to address an issue, philanthropic foundations can better target their limited resources and help attract additional funding. Philanthropists are more likely to give to causes they consider worthy and initiatives they believe in. As such, the reason for an organisation's existence need to be clearly communicated to external stakeholders.

The 27,000 **registered charities in New Zealand** need to be clear about what their charitable purpose and intention is. Tier 3 and 4 registered charities (and soon Tiers 1 and 2) now include service performance information in their annual performance reports, enabling readers to understand what they have achieved over the past 12-month period (i.e. their 'outputs') and what they are aiming to achieve longer-term (i.e. their purpose and a description of their outcome/s). Quantifying what an organisation has delivered and what programmes they have in place to achieve their mission assists readers, including philanthropists, to assess an entity's performance and determine whether they would like to contribute to helping them achieve their mission.

- **Structure: using the 'right' legal structure from the outset**

Philanthropic organisations operate using a number of different legal structures including charitable trusts and limited companies. In our view, there is still scope for organisations to select the appropriate entity structure to enable them to fulfil their objectives and maximise any available tax incentives.

Individuals with private family wealth who wish to donate considerable funds often set up a dedicated foundation to do so. Given the importance of transparency, these foundations are often set up so that the wider family is able to clearly see where the family fortune is going.

- **Innovating to stay ahead**

Given the speed of change in society and the fast-paced adoption of technology, community organisations and philanthropists need to continue to work together and create opportunities to share learning and partner with organisations with similar goals. They need to be creative in their approach and encourage new ways of delivering services, including social services. By acting collaboratively, philanthropic organisations can share knowledge and lessons learnt, as new initiatives and delivery mechanisms are piloted. Not all initiatives will be successful in achieving societal outcomes and it is important that knowledge gained in piloting initiatives is fed back to the wider circle of philanthropic organisations so that similar mistakes are not made.

Financial Considerations

One of the key financial benefits of philanthropy is the tax exemption available for charities, as well as the donation tax credit available for donors.

Charities, and certain other not-for-profit organisations operating within New Zealand, are eligible to be treated as a donee organisation, which means taxpayers can receive tax benefits for monetary donations they make to these organisations.

The tax benefits, which are direct benefits for the donors rather than the recipient donee organisations, include:

- a donation tax credit of 33.3% of the monetary donations made by an individual; and
- tax deductions if the monetary donation is received from a company or Māori authority.

In both cases, the value of the tax benefit is capped (at the individual's taxable income for the year, or the company or Māori authority's net income for the year).

What is the future for philanthropy in New Zealand?

Crystal ball gazing is always fun, even more so when we are talking about achieving better results for society. We are heartened to see growing recognition of the value philanthropy contributes to our society. Organisations and individuals are increasingly demonstrating a commitment to a greater good and displaying the generosity of the Kiwi spirit. 'Gen X and Y'ers seem to be embracing the act of giving and awareness of the benefits that can be gained from philanthropy seems to be on the rise.

Enhanced awareness of the benefits of giving can engage our communities in a more inclusive way and help build relationships between local communities and philanthropists who can assist in meeting their needs. Social media and crowdfunding and giving platforms are helping to facilitate philanthropy at a faster rate by sharing good news stories as well as sharing urgent charitable causes. The good news stories may encourage further giving. Over time we may see demand from individuals to verify the organisations to which they are giving, in the wake of the 'fake news' era. Registered charities over a certain size are already required to have an audit or review undertaken and many grant funding organisations require organisations to provide audited financial statements as part of the grant application process. However, these assurance processes can be easily bypassed by entities raising funds through online channels. As such, there will be a trade-off between speed of raising funds and giving and the ability to place reliance in the entities to which you are giving. We may see the development of online or real-time assurance processes, in order to provide philanthropists, the comfort in knowing that their donations will be used in the intended manner.

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