



TRENDS IN IRISH

Philanthropy

THE VIEWS OF THOSE WHO ADVISE THE RICH


The COMMUNITY
FOUNDATION *for Ireland*



Executive Summary

Over the last two years in particular in Ireland, it has become clear that more people are interested in the topic of philanthropy. While this has yet to translate into a significant increase in planned giving, it is increasingly on the agenda of the rich and their advisors and in the media. Ireland has of course witnessed a significant growth in wealth since the mid 1990's, much of it self-made. Indeed, despite recent market turbulence and declining property values, there are still hugely increased wealth levels. The current generation of wealth holders has been slow to embrace philanthropy, this may be set to change as wealth holders age and a new generation inherits.

This report is based on Ireland's first ever survey of professional advisors focusing specifically on philanthropy. Seventy five advisors including wealth management professionals, stockbrokers, solicitors, accountants, tax advisors, bankers, insurance brokers and independent financial advisors took part.

Some key findings include:

1. More people are bringing up the topic of philanthropy with their advisors
2. Many advisors are still unsure how to deal with philanthropy and are uncomfortable raising the topic
3. An improvement in Irish tax laws could greatly aid philanthropy
4. Clients are still unsure about the differences between charity and philanthropy
5. Many advisors are unclear about the philanthropy vehicles available for would-be philanthropists

Overall, the findings provide evidence of an emergence of philanthropy in a way that is typical of any early stage cultural change. There is some confusion among both advisors and clients but also significant encouragement and strong potential for developing philanthropy in Ireland.

Introduction

Community foundations worldwide work closely with professional advisors. This report is part of The Community Foundation for Ireland's mission to promote philanthropy and to foster a greater understanding of the concept with professional advisors, the media and prospective donors.

We have been fortunate in getting the insights of a cross section of Ireland's professional advisors working in small, medium and large scale organisations. These range from those with just a small number of private clients to those with hundreds and indeed thousands of wealthy clients. The report aims to provide a quantitative assessment of recent trends in Irish philanthropy and in particular to provide a baseline of information which will enable an evaluation of trends in the area of philanthropic advice and support from the sector over the coming years and decades. We are confident that we are providing a credible insight into the views of an important sector that can have an influence on the development of Irish philanthropy in the future. This research will also feed into a wider survey of philanthropy in Ireland by The Philanthropy Forum which will be released later in 2008. We would also like to acknowledge the support of The Irish Taxation Institute and STEP Ireland for including the survey in email communications to their members.



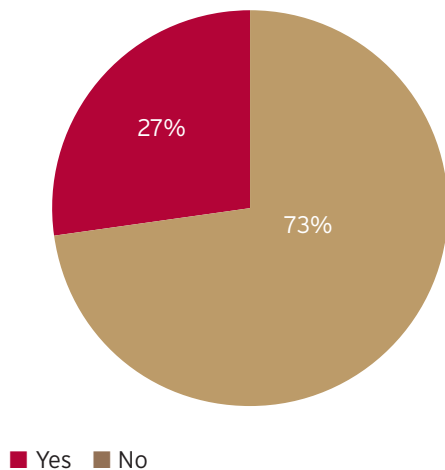
Findings

Have you noticed an increase in the number of clients enquiring about philanthropy over the last 12 months?

Note: For the purposes of this survey, philanthropy was defined as: 'Charitable giving with a deliberate, targeted, long-term perspective, to achieve tangible results'.

This is a very strong finding. From enquiry to action or establishment of a philanthropy structure can take two years or more, so taking a longer-term viewpoint, this bodes well for the future.

Philanthropy Enquiries Increasing



Some of the representative quotes provided include:

"No specific area identified just a sense of responsibility to do some good".

"Enquiries generally refer to structuring long term giving".

"Clients enquiring about setting up new charities. Clients also enquiring about making large charitable donations".

"Large and small-scale business people putting it farther forward in their minds".

"We have not received more queries from persons wishing to become philanthropists as such - we have definitely received more queries as to the distinction between philanthropy and charitable giving generally".

"Clients are looking to support charitable ventures directly i.e. avoid giving funds to a charity for general use. Clients are looking to avoid the larger charities in light of concerns over administrative costs etc deducted from their contributions".

Approximately how many of your clients engage in philanthropy as defined above?

The following statistics illustrate the early stage of philanthropy in Ireland.

Number of Clients Engaging in Philanthropy	Number of Advisors
None	27.1%
1-5%	50%
6-10%	11.4%
11-20%	8.6%
More than 20%	2.9%

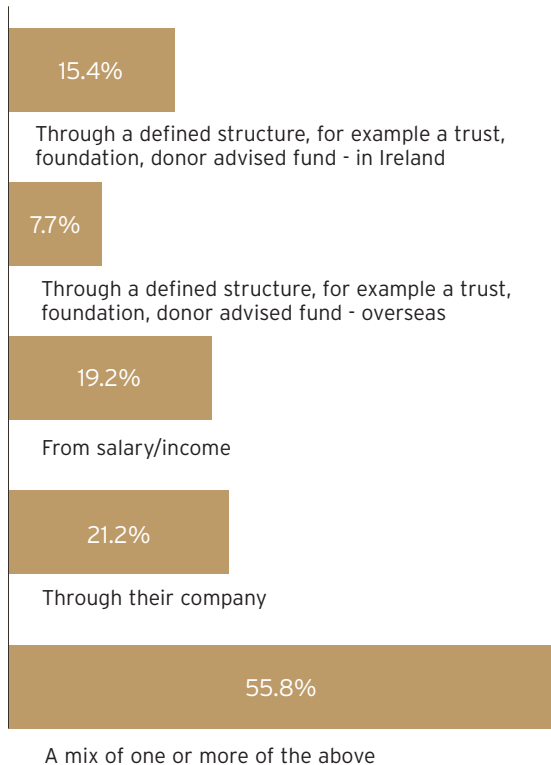
77.1% of advisors say that either none or 5% or less of their clients are engaged in philanthropy. On a more positive note 10.5% say that 11% or more of their clients are engaging in philanthropy.

Clients

Clients enquiring about setting up new charities. Clients also enquiring about making large charitable donations

If they are engaging in philanthropy, how are they giving?

Well developed 'philanthropy markets' will be more likely to see the big givers giving through their own foundation, their own Donor Advised Fund or possibly through their family business, but to defined criteria. Anecdotal as well as statistical evidence from this research demonstrates clearly that the majority of wealth people are giving through a variety of structures, possibly reflecting the lack of planning around this giving.



One of the points to note from this question is that a small but significant minority - 7.7% - reported that clients were using a philanthropy structure based overseas. Without a better 'philanthropy infrastructure support' in Ireland there is the possibility of further 'capital flight' in the philanthropy sector. This has implications for the level of subsequent giving from these structures, employment opportunities in Ireland and the potential to develop a vibrant and innovative philanthropy culture and expertise in Ireland.

Approximately how many of your clients engage in general charitable giving?

General charitable giving was defined more loosely as one off giving, general community or charity donations, supporting appeals etc.

24.7% of advisors said that less than 25% of their clients engage in general charitable giving

19.2% of advisors said that 26%- 50% of their clients engage in general charitable giving

15.1% of advisors said that 21%- 75% of their clients engage in general charitable giving

11% of advisors said that more than 76% of their clients engage in general charitable giving

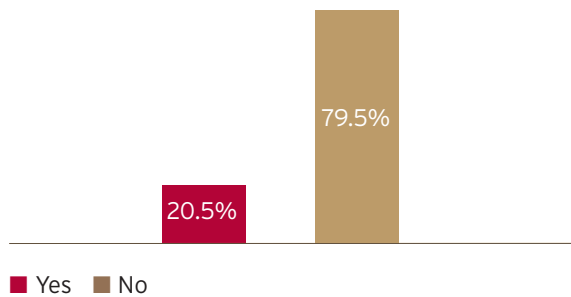
30.1% of advisors said that they didn't know the scale of clients general charitable giving

These findings seem to indicate lower than expected rates of general charitable giving. Perhaps donations are being made very privately, perhaps there is donor fatigue or perhaps donations are being made from marketing and sponsorship budgets and the difference between marketing and charity is being blurred.

Do you believe your clients generally understand the difference between charity and the strategic nature of philanthropy?

There is a strong belief by advisors that philanthropy is not yet a commonly understood concept among the vast majority of clients. Only 20.5% said that they believed that their clients understood the difference. This corresponds broadly to a KPMG survey in 2007 by Amárach Consulting where only 18% of business owners were very aware of the concept of philanthropy.

Understanding of Philanthropy



Which of the following statements best reflect your approach to the topic of philanthropy with regard to high net worth clients?

58.7% of those surveyed have never had a discussion with a client about philanthropy and 22.2% don't feel comfortable with it or only discuss philanthropy if the client raises the topic. As a baseline figure it will be interesting in future years to see if more advisors include philanthropy as one of the elements in their general financial checklists. 19% said that they always include philanthropy as an option when undertaking an overall review with a client.

Additional Comments

"It's raised more reactively but not because of discomfort, more because it's not part of our business language yet".

"Ad hoc discussions were interested but probably relate to charitable giving rather than philanthropy".

"I let clients raise it or encourage it when the opportunity presents".

"It is a sensitive subject to broach and is largely instigated by the client or we pick up on something the client has said during a financial review"

"It is a personal matter for the client".

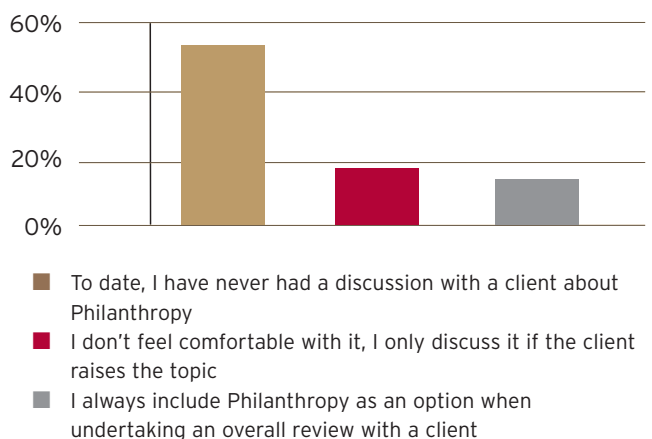
"Still not a major issue with our clients. Many clients would donate to charities but very few would have specific philanthropic vehicles set up"

"Only recently is it becoming a topic to raise, as opposed to waiting for client to raise it".

"It is a new development, mentioning as part of our review process where appropriate".

These comments and statistics reflect the newness of the topic.

Advisors Approach to Philanthropy Queries





Large and small-scale business people putting it farther forward in their minds

At what level of wealth do you consider clients can begin to think in terms of philanthropy? Note: Wealth definitions exclude value of family home

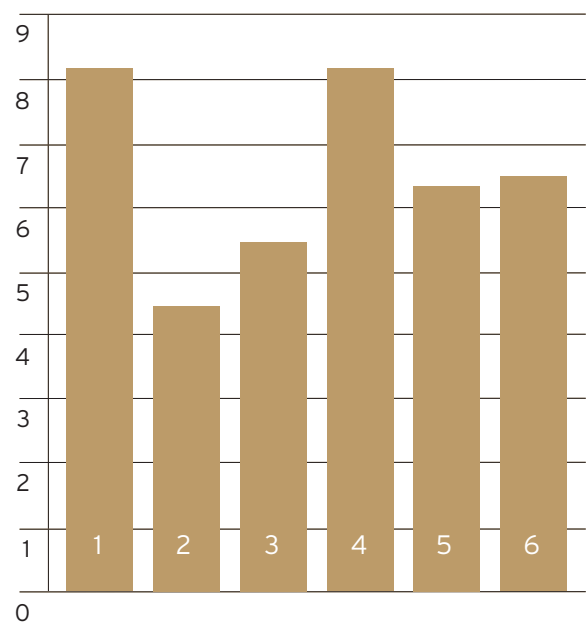
For the most part, assets in excess of €1million, over and above ones' home, are considered to be necessary before clients think about philanthropy. 43.8% of advisors indicate a figure in excess of €1million and up to €10million. Almost one quarter - 23.8% - indicate a figure in excess of €10million.

Wealth Levels	% of Advisors Suggesting each level
Less than €500,000	4.1%
€500,000 - €1million	5.5%
€1 million - €10million	43.8%
€10 million +	23.3%
Wealth level not a primary factor	23.3%

How would you rate the following as drivers of philanthropy? Please rate each out of 10 (10 being the highest score):

The two primary drivers of why rich people give were: 'Desire to put something back into the community' with a rating of 8.12 and 'Belief in a particular cause' with a rating of 8.08. Ultimately, most of the issues above are interlinked.

Philanthropy Drivers



1. Put something back into the community
2. Not pass on all assets to children/family
3. Tax savings
4. Belief in a cause
5. Respect for people in charity
6. Age of donor

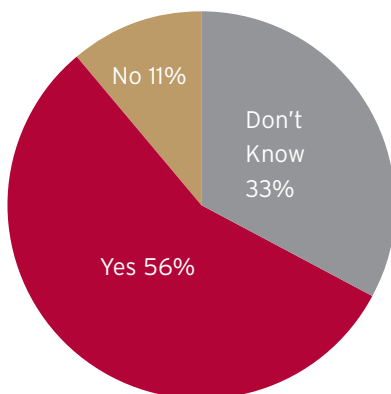
Ad Hoc

Ad hoc discussions were interested but probably relate to charitable giving rather than philanthropy

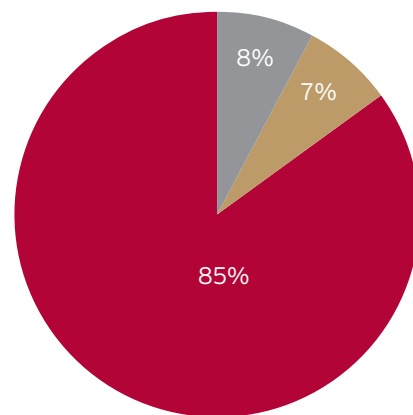
Charitable giving in Ireland is currently estimated at €500m per annum. In your opinion, could this figure be doubled to €1 billion within 5 years?

It is interesting that a clear majority answering the question believe that total charitable giving (including philanthropy) in Ireland could be doubled in a five year period. If this was achieved, it would bring us into line with UK statistics where philanthropy is better developed. In 2006, total charitable giving in Ireland was estimated to be ?500m or 0.34% of GNP. The corresponding UK rate was 0.71% (Source: Amárach Consulting).

Could Charitable Giving be Doubled



Change in Tax Legislation to Increase Giving



■ Yes ■ No ■ Don't Know

Do you think a change in the law removing the cap on tax relief on charitable donations for high earners would result in more clients considering philanthropy?

While tax is considered relatively low as a main driver of philanthropy, there is nevertheless a clear consensus among advisors that the level of giving by Ireland's high earners could be increased by a legislative change. In 2006, The Finance Act introduced a new Section 485C, placing a restriction on the levels of tax reliefs available for high income earners which The Community Foundation for Ireland has lobbied against and considers to be a retrograde step in the promotion and development of philanthropy in Ireland.

We have included many of the comments from this section of the survey as they reveal the many perceived benefits of philanthropy:

“Sense of legacy i.e. that this wasn't all about just making money”.

“Moving the focus away from themselves to others and improving other peoples circumstances, opportunities, conditions”.

“Deep down the successful ones would like to give something back”.

“Sense of achievement/involvement in community”.

“Sense of balance created by giver in himself”.

“The genuine and lasting feel good factor that flows having contributed in a positive and meaningful manner”.

“Tax savings”.

“Take away financial pressures of next generation and gives them purpose”.

“We all realise how fortunate we have been to work and grow in the Ireland of the last 20 years”.

“Example to their family”.

“Getting satisfaction from the energy given to a new project with a specific goal or purpose in mind”.

“An interest to keep the family working together for the good of others beyond the patriarch's life”.

“Providing an aim in life to replace a pure business focus”.

What do you consider to be the main benefits of philanthropy for your clients?

This was an open ended question with advisors being asked for up to three benefits. A review of the first line of comments reveals two clear areas - ‘Putting / giving something back’ AND ‘Self worth, making themselves feel better, satisfaction of giving back’ WITH ‘Tax savings’ mentioned as a more distant third factor. Other factors coming through particularly as second and third answers were in relation to ‘Family’, ‘Legacy beyond one's life’ and ‘Good PR’.

Approximately what percentage of your clients have made a will?

Charitable bequests provide an option for people to make a significant philanthropic impact beyond their lifetime.

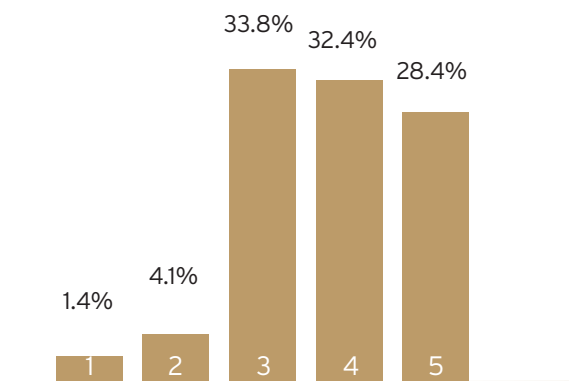
Excluding the ‘Don't knows’ from this answer it appears that just 46% of advisors have a High Net Worth client base where three quarters or more of clients have made a will. A further 48% of advisors have a High Net Worth client base where between half and three quarters of clients have made a will.

With the level of wealth in Ireland so high, there is a critical need to address this issue.

Sense

Sense of legacy i.e. that this wasn't all about just making money

How Many Clients have made a Will?



1. Less than 25% of clients
2. 26% - 50%
3. 51% - 75%
4. More than 76% of clients
5. Don't Know

What would you estimate is the average amount left to charities in your clients' wills?

Just over half - 52.1% of respondents - answered this questions. Of these:

13.2% of advisors said that the average amount left in wills for charitable purposes was zero

44.7% said that the average amount left in wills for charitable purposes was less than €10,000

21.1% said that the average amount left in wills for charitable purposes was between €11,000 - €25,000

5.2% said that the average amount left in wills for charitable purposes was between €26,000 - €50,000

7.9% said that the average amount left in wills for charitable purposes was between €51,000 - €100,000

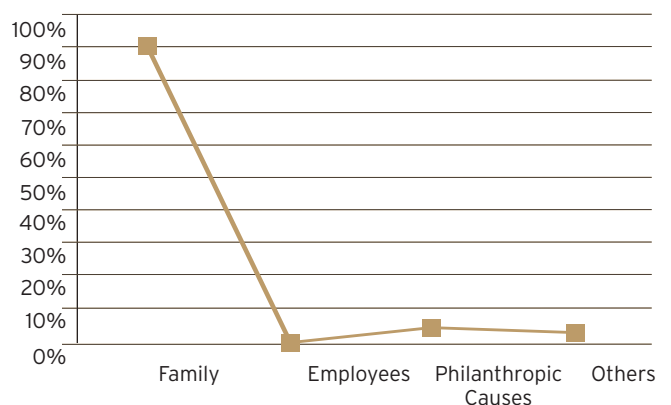
7.9% said that the average amount left in wills for charitable purposes was more than €100,000

Considering that these figures are for many of Ireland's wealthiest people, the figures appear to illustrate that charitable donations from wills are at a relatively low scale in Ireland. In 57.9% of cases, the figures ranged from zero to less than €10,000.

These findings build on a 2007 survey by Amárach Consulting on behalf of KPMG of private Irish businesses. It asked how they planned to distribute their wealth after death.

Family	91%
Employees	2%
Philanthropic causes	4%
Other	3%

Taking these two surveys together it seems clear that the primary focus of wills is one's family.



The genuine

The genuine and lasting feel good factor that flows having contributed in a positive and meaningful manner

What is the largest amount you are personally aware of being left in a will by any clients for charitable purposes?

Clearly, there is however cause for optimism. The amount clients leave in a will is a very private and personal affair. Our findings suggest that a number of really significant ‘super gifts’ have been included in wills. These are as follows:

Amount left to Charity	Response Count
€50k	2
€100k	3
€200k	2
€250k	2
€500k	3
€1million	3
€2million	1
€3million	1
€4million	1
€10million	1
€20million	1
€30million	1
€50million	2
Entire estate	In the millions

In the context of previous research undertaken on legacies in Ireland, these findings are extremely encouraging and may point towards a greater level of charitable bequests in the future.

Please state your level of understanding for each of the following options, i.e. when advising clients who wish to establish a charitable/philanthropic structure:

Structure Type	Very High	High	Medium	Low
Donor Advised Fund (e.g. at The Community Foundation)	5.70%	24.30%	28.60%	41.40%
Charitable Trust	8.60%	25.70%	41.40%	24.30%
Private Foundation	7.10%	18.60%	41.40%	32.90%
Charity	18.60%	47.10%	20.00%	14.30%

One of the issues going forward that has emerged is the need for greater education of the professional advisor sectors in relation to philanthropic structures. Advisors are relatively comfortable with the setting up of a charity - two thirds say their level of understanding is ‘high’ or ‘very high’. This drops to just 34.3% for charitable trusts, 30% for Donor Advised Funds and 25.7% for private foundations.

Conclusions

This report provides a firm foundation in providing baseline information to measure the development of philanthropy in Ireland and how advisors can help foster a new spirit of philanthropy in this country. As well as highlighting the important role of advisors, we, for the first time, have a real insight into the potential for Irish philanthropy.

It takes time for culture to change and many of the findings are consistent with the early stages of the cultural shift towards a more planned approach to one's giving. Some key conclusions are:

1. Professional advisors are increasingly, if still sporadically, having to address the issue of philanthropy. This will increase in the coming years
2. There is strong potential for increased levels of giving, and changes to our tax laws could have an impact in this respect.
3. While some advisors are comfortable discussing philanthropy, many either don't raise the topic or are uncomfortable doing so. The inclusion of philanthropy as an element in advisors continuous professional development could help significantly to overcome this barrier.
4. Including philanthropy as an option when undertaking an overall review with a client seems like an excellent option for advisors and makes it easier for them to incorporate the subject.
5. While general levels of charitable giving through wills remains low, there are an increasing number of individuals leaving charitable bequests in the hundreds of thousands of euro and even millions of euro.
6. The primary reason for giving is to 'put something back'.
7. Ireland's high net worth individuals are generally giving in a 'scattergun approach' using a variety of vehicles to make charitable donations. This does not lend itself to a strategic approach to philanthropy.

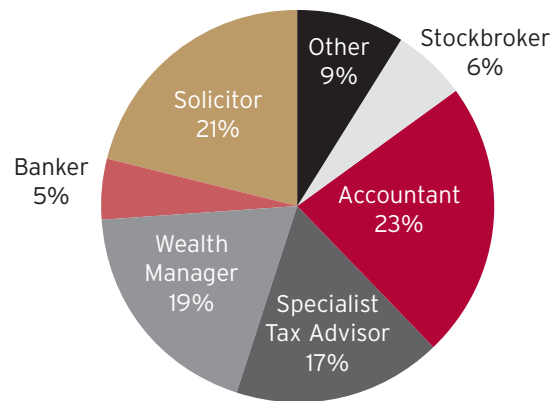
Methodology

The research is based on a web based survey. It was completely anonymous. There may be a small amount of duplication where more than one person in a firm has replied, but having compared answers this appears to be rare. The research was carried out during May and June 2008.

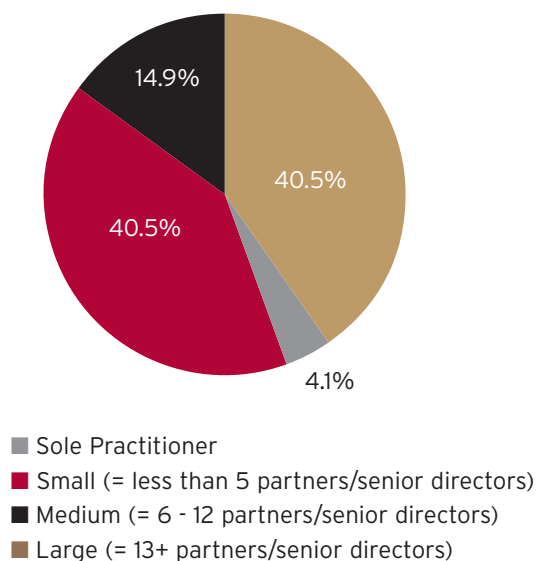
A variety of types of advisors, representing a large number of clients, with a reasonable geographic spread took part. While 89% of respondents were Dublin based, many, if not all Dublin based firms represent clients from across other parts of Ireland also. Other counties represented are Cork, Galway, Sligo, Kerry, Limerick and Waterford. It is estimated that the advisors in the survey work with a minimum of 40,000 private clients based on replies to Q22 in the survey about client numbers.

A broad spread of organisation types took part, representing all the main advisory sectors working with private clients in the Irish market place as indicated in the following charts:

Participants - Type of Firm



Participants - Size of Firm



- Sole Practitioner
- Small (= less than 5 partners/senior directors)
- Medium (= 6 - 12 partners/senior directors)
- Large (= 13+ partners/senior directors)

The Community Foundation for Ireland is an expert donor services and grant-making organisation. It was established in 2000 and is a registered charity. Since then individuals, families, businesses and other institutions have set up charitable funds under the umbrella of The Foundation. The Community Foundation helps people to engage in more effective and rewarding philanthropic activity by connecting donors to the most deserving and impactful causes. The combined value of permanent donor funds at The Community Foundation is currently €25million (7/08) million. Since its inception it has made grants on behalf of donors of almost €5million. President Mary McAleese is the Patron, and the Board is comprised of distinguished representatives from the public, private and community and voluntary sectors.

More information available on www.communityfoundation.ie

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