



Increasing Individual Giving

1. An Introduction to Philanthropy



What this online resource will cover

- Introduction to Philanthropy
- Entrepreneurs as Philanthropists
- Current government position
- Cultural traditions and trends
- Motivation and disincentives
- Your organisation's constitution



Introduction to Philanthropy

- Philanthropy means "love of humanity" in the sense of caring, nourishing, developing and enhancing "what it is to be human"
- Benefactors get to identify and exercise their values in giving and volunteering
- Beneficiaries get to benefit



Introduction to Philanthropy

- Philanthropy vs charity - charity relieves the pains of social problems, whereas philanthropy attempts to solve those problems at their root causes (the difference between giving a hungry man a fish, and teaching him how to fish for himself).



Entrepreneurs as Philanthropists

- Are said to be more generous than those distributing inherited wealth.
- tend to approach their charitable activities in the same way as they approach business - with creativity; a rigorous requirement for evidence; a desire to learn from others, and a drive to lever in money from other sources.
- tend to be “tough givers” with a need for control of the projects they fund and a concern for measuring the performance and demonstrating

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Entrepreneurs are much in the news as instigators of (beneficial) social change, ie philanthropists.

Entrepreneurs have often been philanthropists – think of the great names adorning our museums (Tate, Burrell) and Libraries (Carnegie)

Government position

- Offers incentives for museums (charities)
 - Gift aid small donations scheme (gasds); registered charities already claiming can now claim on up to £5K small cash donations without donor details
 - Gift aid on admissions
 - No inheritance, income or capital gains tax on charitable donations



Government position

- For businesses: Corporation tax relief and tax relief on some business expenses
- For individuals
 - Gift aid (some financial benefit to higher rate tax payers)
 - Relief on income and capital gains tax
 - Charitable gifts left in wills are free of tax



Current tax relief for individuals includes:

- Gift aid donations (HMRC gives the tax you've already paid to the charity, on top of your donation, and if you're a higher rate tax payer, allows you to reclaim the higher level of tax)
- Relief on income tax and capital gains tax if you give (or sell at a price lower than the market price) land, shares or other assets to a charity, meaning that you have a lower tax bill
- Gifts (donations) to charities in your will are taken out of your estate before estate is valued and tax is calculated on it so this is also a tax efficient way of giving as it reduces the Inheritance Tax due on your estate.
- Various reliefs on items deemed to be "national heritage"

Cultural trends and traditions

- All the major religions encourage philanthropy, including tithing (giving 10% of your wealth to your religion for distribution to others, or giving it directly to others).
- National policy on healthcare, education affects the likelihood of giving to charities in these areas if perceived to be a public good provided for by the public purse.



Cultural trends and traditions

- Research in 2013 showed high level of generosity and community responsibility among migrant and minority households where those sending money overseas are also more likely to donate to UK charities
- Those who drink are more likely to give to charity than those who smoke!



Cultural trends and traditions

- Since the mid-90s those without children have given relatively more
- In the period 2001-11 half of all the money given to charity came from married couples.
- Implications for the future of giving as marriage is likely to decline and the numbers of lone parents and single-person households is likely to grow.



In the 1970s and early 80s households with children were more likely to give than childless households. This equalized in the mid-90s and has now reversed: since the mid-90s those without children have given relatively more.

Motivation

- Recognition, immortality and the chance to rewrite ones personal narrative
- Make a difference
- Freedom to act – exercising our will – and ability to act
- Donors often support organisations that respond to their
 - tastes, preferences and passions;
 - personal and professional backgrounds;
 - perceptions of a charity's competence, and
 - desires to have a personal impact

rather than supporting causes that might meet the most urgent needs



Disincentives

- Charities spending too much on fundraising
- Belief that all needy people are responsible for their own situation
- Conflicting information and sloppiness on part of charities
- Belief that state should pay for certain things and that through tax individuals are already doing so
- Unresolved internal conflicts or unintentionally punitive internal policies (often drafted to resolve a different, unrelated problem)



Your organisation's constitution

- Charities are perceived to be *A Good Thing* however nobody wants to fund an organisation which isn't already a success.
- If you're not a charity but you do charitable work you may still be able to receive gift aided donations – talk to your local community foundation.
- Being funded by the local authority is not always a positive .



Charities may be seen as a good thing, however, UK museums are also seen by the majority as a luxury, not in the same realm as healthcare or education, not as emotive as animals and children, so being a museum is not always a positive.

Being funded by the local authority can also be problematic as some members of the public are very critical of “the Council” and believe that services are inefficient and therefore something run under the auspices of the local authority will be the same.

Truly independent charities which receive no local authority pay may be the most attractive to individual donors as you're the ones who can say “we receive no statutory or government funding” but beware, nobody wants to fund an organisation which isn't already a success.

Your organisation's constitution

- Charitable Incorporated Organisations – CIOs. One of four forms that a charity can take, and the newest (2012).
- Formed to give some of the benefits of being a company but not all of the burdens.
- Not as straightforward as running an unincorporated association or a charitable trust.



Charitable Incorporated Organisations – CIOs. One of four forms that a charity can take, and the newest (2012). Formed to give some of the benefits of being a company but not all of the burdens. Simpler than establishing a charitable company, it will not be as straightforward as running an unincorporated association or a charitable trust. Cannot be an exempt charity but for the purpose of donations, this charitable form and constitution has all the same benefits and burdens as a charity which is a company limited by guarantee or an unincorporated association.