

Charitable giving and philanthropy

Fact sheet



Introduction

When it comes to passing on wealth, it's traditionally been considered that the right approach is to hand on as much as possible to the next and future generations.

But an increasing number of our clients are questioning whether, while providing for their families, they can also do something to help good causes close to their hearts.

Nobody wants to leave their loved ones in financial difficulties. But there is a view growing in popularity that inheriting too much wealth can deprive future generations of the incentive and motivation to make their own way in their world. As some families know only too well, inherited wealth can prove to be a curse rather than a blessing.

This philosophy creates the opportunity to take part in a growing trend towards charitable giving or philanthropy, the Victorian term that is once more back in vogue.

Many people would like to set aside money to benefit organisations working towards goals they support and, of course, charitable giving carries with it often generous tax incentives, including 100 per cent inheritance tax relief.

This philanthropic trend was highlighted in December 2010, when Culture Secretary Jeremy Hunt launched a major drive designed to boost private giving to arts organisations and to create a new generation of philanthropists.

Included in the initiative is a goal that the UK will become the first country in the world in which it becomes the norm to leave ten per cent or more of one's legacy to charity. Legacies are an important source of income to charities, contributing six per cent – £2 billion – of all voluntary sector income in 2007-2008.

While giving to charity is admirable in itself, it should also be an opportunity for the donor to consider how to make their donation in the most appropriate way, so that recipient receives the maximum benefit.

If you are interested in giving a more significant donation to charity, this guide introduces the three main options for doing so. However, the advice is only general and seeking expert advice on your specific circumstances is a wise move.

The options

Direct giving

Making a large donation to your favourite charity is the simplest form of charitable giving.

However, before taking this course of action it's a good idea to do some research to make sure that the charity is still one you want to support. Often, we may think we have a good idea of what a particular charity does but our information may be out of date or not quite accurate.

By visiting the website of the charity or charities you have on mind, you will be able to check on current policies and projects and ensure that their work and goals are something you wish to support. There are also a number of independent review bodies, such as New Philanthropy Capital (www.philanthropycapital.org) that publish reports online.

It is also worth remembering that most charities will be happy to accept large donations that are conditional on use for particular purposes within the general range of their work.

Intermediary giving

If you intend giving a generous but not substantial sum to charity, you may consider putting the donation in the care of an intermediary charity such as the Charities Aid Foundation (CAF) or a local charity such as Quartet in the Bristol area.

You can then direct the onward use of funds by a variety of methods ranging from the CAF “cheque book” account to a dedicated fund held under the umbrella of the intermediary charity, which you or your chosen representatives can direct.

Intermediaries do have to charge for their administrative work but this is often more cost-effective than setting up a bespoke charity.

Bespoke charity

Donors of substantial sums may wish to set up a charitable trust in their own or their family’s name and in many cases, this is the appropriate thing to do.

However, it is important to remember that every charity involves administrative responsibilities, including meetings, maintenance of records and accounts and submission of annual returns to the Charity Commission, which take time and inevitably eats into the amount of money available to fund the work of good causes.

Donors need to think very carefully before setting up bespoke charities, to ensure that their good intentions will create an organisation that will achieve real results rather than an administrative burden for the future.

For a bespoke charity to be worthwhile, its endowment realistically needs to be at least six figures. Below that figure, an intermediary charity solution may be preferable.

Conclusion

At Gregg Latchams, we can help you make the right choices about your philanthropic plans, helping to direct you to suitable intermediary charities, advising you on tax incentives and assisting you in setting up bespoke charities by lifetime trusts or through provisions in your will.