



Queensland University of Technology
The Australian Centre for Philanthropy
and Nonprofit Studies



Good times and PHILANTHROPY



GIVING BY AUSTRALIA'S AFFLUENT
March 2008



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DR KYM MADDEN DR WENDY SCAIFE

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The authors of this report are Senior Research Fellows at CPNS.

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EXECUTIVE SUMMARY

This report draws upon the latest research to examine giving trends by affluent individuals in Australia and how these compare with overseas counterparts. It is driven by several factors. Giving by individuals matters enormously to the nonprofit sector, far exceeding business donations. Whether the richest of the population gives commensurate with their wealth is a question worth asking. The assets held by the wealthier end of Australia's population have burgeoned in recent decades as have the number considered affluent. In 2006, Merrill Lynch/Capgemini drew attention to Australia's trend to affluence, describing its high net worth segment as one of the fastest growing in the world and dismissing suggestions that average wealth held by affluent individuals was well below overseas counterparts. The next four decades are also expected to pour continued wealth into this segment as the oldest generation passes and accumulated assets shift to grown children. This intergenerational transfer of wealth is widely projected to surpass that of any previous era.

With increased personal wealth comes the opportunity for accelerated charitable giving and evidence exists that giving does increase with wealth. Research, in Australia and overseas, shows that a greater proportion of the affluent cohort gives than those on lower incomes and, on average, they give higher absolute amounts. Indeed, having more money is commonly cited as the number one requirement for individuals to give at a higher level. However, in Australia a sizeable proportion of those in the wealthy cohort give little, if anything, to charitable causes and some who do give do so at a lower level than the rest of the community. That is, some of those with high capacity to give do not give to community causes.

How does Australia compare? The good news is that Australia's affluent are giving more than they were a decade ago and a higher percentage of this group are giving. However, this change needs to be set against the dramatically increased wealth of this group: while the nation as a whole has become more prosperous, it is the affluent segment that has benefited the most. The available

data indicates that the rising level of giving by the affluent segment overall has *not* kept pace with wealth trends – indeed, the gap is widening – and that the percentage of the affluent who give to charitable causes has risen only modestly over the past 10 years despite a substantially higher level of personal wealth. While the average household income in Australia grew by 34% in real terms from 1994-95 to 2005-06, it has been the wealthier household that has experienced the greatest gains with a 36% increase compared to around 31% for those on low and middle incomes (ABS, 2006a). This difference is strongest of late: in the two years to 2005-06, household incomes in the high income segment jumped, on average, by 13% compared to 8% for those in the low and middle income segments.

Overall, evidence suggests that Australia's affluent are, on average, giving at a *lower* level than their counterparts in comparable countries such as the UK, Canada and the US, despite comparable wealth levels. Of course, outstanding examples of generosity are being seen in growing numbers of wealthy Australians; at issue is their relatively small number.

This report finds:

- 1. Approximately 6 in 10 of the wealthiest Australians (approximately 5% of Australia's total population) claim deductions for their charitable giving.** Given the propensity of this group to benefit from professional tax advisers and utilise the tax system, some 40% are likely to be engaged in minimal – if any – giving.
- 2. Affluent Australians give more than the average Australian but generally not much more.** Gifts, measured by the value of tax-deductible donations expressed as a percentage of taxable income, are only marginally higher for the vast majority of the affluent (with taxable incomes of between \$100,000 and \$500,000) than for Australians overall, at approximately 0.45% and 0.33%, respectively.¹

¹ In Australia tax-deductible gifts can only be received by Deductible Gift Recipients (DGRs) which may or may not be strictly charitable.

The data presented in this report about Australian tax-deductible gifts refers to these DGRs which for ease of reference are termed generally as charities.

3. The level of personal wealth held by wealthier Australians has accelerated at a much faster rate than their charitable giving. Over the ten years to 2005, mean household income for Australia's affluent population has increased by 36%. However, its charitable contribution, as measured by the percentage of taxable income claimed as charitable giving increased from just over 0.36% to just over 0.45%, still well under 1% for the vast majority of wealthier Australians.

4. Despite some superlative yet isolated examples, there is little evidence that Australia's ultra-rich and ultra-ultra-rich are giving at the same rate as overseas counterparts. Despite increasing gift levels in the past decade to 2005 from 0.7% to 1.98% of their taxable incomes, the wealthiest of Australia's affluent (\$1 million-plus in taxable income) do not appear to be engaging in philanthropy, as a group, to the extent indicated by global trends. The World Wealth Report (Merrill Lynch/Capgemini, 2007) estimates that the top 17% of ultra rich donors globally (with assets equivalent to \$US30m plus) are now giving away approximately 10% of their assets annually; It also points to the global high net worth (HNW) population's growing propensity to allocate between 3% and 11.8% of their portfolios to philanthropic causes annually. While no detailed figures exist in Australia, tax statistics indicate that making substantial donations still constitutes an exception rather than a norm for the wealthy.

5. Tax changes support a philanthropic culture. More tax-related strategies are called for, given the establishment of some 600 Prescribed Private Funds (PPFs) by individuals and companies since being introduced in 2001. In other countries, the 'incentivising' impact of various measures, including death duties cannot be denied.

6. The affluent is the affluent is the affluent...not so! Wealthier Australians

now represent a diverse group, with large variations in financial capacity. Segmentation of the affluent population by income/asset level is essential to understand areas of low giving (and high giving).

7. Based on evidence about giving behaviour by affluent Australians, efforts to encourage their engagement are warranted.

To this end, and drawing upon the wider philanthropy literature, **12 standout opportunities exist:**

- i. Increase visibility of philanthropy amongst the affluent (including via the media);
- ii. Increase awareness of different types of involvement to suit varying levels of wealth and personal circumstances;
- iii. Create greater peer support for giving e.g. loose supportive networks and groups providing opportunities for discussion and potential group funding (e.g. giving circles);
- iv. Offer more guidelines for giving, promote affluent giving norms and build the practice of 'planned' versus spontaneous giving;
- v. The highest echelons of government, business, the professions and the community need to be personally inviting Australia's wealthy opinion leaders to join in visionary philanthropic projects;
- vi. Promote tax benefits attached to giving at higher levels, and alternatives;
- vii. Train and support professional advisers about providing philanthropic advice to match clients' circumstances to the most suitable giving vehicles or options;
- viii. Improve awareness amongst Australia's affluent population of the benefits of involving their children in giving, the opportunities available, and who can assist them achieve their aims;

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- ix. Improve awareness of the Australian nonprofit (NP) sector and the unique role of philanthropy in creating change in the community: the case for philanthropy needs to be stronger and clearer than it is currently;
- x. Increase transparency, efficiency and evaluation by nonprofit organisations to help overcome expressed donor concerns. However, unrealistic expectations that a nonprofit organisation (NPO) can exist without administration costs also need to be addressed. The paradox exists that potential donors say they would give, or give at a higher level, if NPOs were more transparent, more efficient and showed the impact of their programs yet they do not want NPOs to spend money on such operational issues;
- xi. Improve understanding and responsiveness by the NP sector of the needs and interests of the affluent;
- xii. Improve volunteering opportunities for the affluent in NPOs, drawing upon their knowledge, connections, experience and interests.

In sum, this report contributes to understanding giving behaviour by affluent Australians and provides guidelines for fostering philanthropy for the good of the community as a whole. The challenge of encouraging Australians with means to give at a higher level is complex. Giving behaviour is deeply embedded in, and reflective of, our social, political and economic infrastructure as well as our national and individual psyche. Nevertheless, as a country, we are evolving and there is potential for leaders in business, the professions and the nonprofit sector to collaborate in ways that tilt the country towards a more philanthropic orientation. There are also specific levers available to those in policy areas that can facilitate and support such change.

Note. In comparing Australia's charitable giving figures with other countries, just how much we do not know emerges, the landmark Giving Australia research notwithstanding. For example, little data is available on giving by Australians with assets in excess of \$1 million despite the rapidly expanding number of citizens in this group and their extreme variations in personal worth. The picture is also somewhat muddled because the use of tax-efficient structures such as family trusts can 'hide' much personal wealth, making estimates of numbers of the wealthy and assets held conservative. Answers to basic questions – what kind of charitable giving do such individuals engage in and how has it changed over time? – must be drawn primarily from aggregated survey data and rare qualitative data. In contrast, far more is known about philanthropy by the affluent in the US and Europe, especially the UK. Overseas literature overwhelmingly supports the positive link between affluence and level of gift but the evidence about affluence and proportion of wealth given to the nonprofit sector is mixed. This general pattern is reflected in Australia, too.

Specific, direct comparisons of giving between Australia and other countries must be tempered because methods used for gathering data are not always clear from published findings and methods differ widely across countries; methods also may change within a country over time. To overcome these obstacles, existing studies were examined for the indicators they provide of what is actually happening and the extent to which findings tell a similar story. In doing so, we build upon the earlier work of the Asia-Pacific Centre for Philanthropy and Social Investment at Swinburne University in 2004 and 2005.

What is affluence? Definitions of affluence abound. For the purpose of this study, 'the affluent' have been defined as those with assets in excess of \$1.2 million apart from the family home, or with annual taxable personal incomes of \$100,000 or more. Note that in this report dollars are Australian unless otherwise specified. Section 1 discusses definitions more fully.

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1

INTRODUCTION

The central aims of this report are to assess the robustness of giving by the affluent in Australia and to identify areas of greatest opportunity to lift philanthropy by this group. In particular, it asks the question, 'To what extent are affluent Australians giving to community causes, and how do they compare with other countries?' This topic is critical to the nonprofit sector, which is under pains to meet a larger set of social needs in an expanding and increasingly diverse and aging population. This is not to suggest that governments do not have a continuing role to play. However, they face increasing pressures to focus on essential services, leaving under-explored many opportunities to address problems before they grow large. The managing of public monies does not readily lend itself to taking the kind of risk associated with thinking 'outside the square', to develop innovative approaches to both well-entrenched and emerging social issues. The quality of life we will enjoy in our communities in the future is linked, in large measure, to the willingness of those with resources at their disposal – talent, money, experience, connections, and vision – to participate in what happens at the community level.

The topic is significant for many reasons. If more people with means were inspired to engage in community projects in ways that tapped their experience, talents and wherewithal, the nonprofit sector could face the future knowing that community issues could be addressed more effectively and innovatively. The whole community would benefit from such a situation, including those in dire straits and those with the potential to contribute much more to the community. Moreover, there is growing evidence that substantial charitable giving – philanthropy – can be enormously personally satisfying and bring a range of benefits into families so engaged. Beyond this argument, however, is concern for the role that the most successful and most privileged play in our society, not only as opinion leaders but in their unequalled capacity to contribute to the greater good. It is outside the parameters of this report to make the case for support but for such wide-ranging reasons, the report has been funded and, in turn, undertaken.

As we have already begun to see, government funding for the nonprofit sector is changing. We are witnessing governments shift to a facilitating-enabling-co-ordinating role, brokering partnerships and supporting linkages across the powerful and not-so-powerful in our society. Affluent individuals will be in an increasingly powerful position to *shape* the community, for this generation and the next – a role and a power that has sparked philosophical debate in other countries.

Above others, the affluent hold the key to nonprofit ventures that really make a difference in the wider community. They have the wealth to make transformational donations. However, their influence exceeds financial support. They are opinion leaders and trend-setters for the rest of the community. The level of trust, support and passion that the average Australian gives to the community sector is affected by what those in *leadership* positions do, say and value and the opportunities they create in their neighbourhoods (real and virtual). This is true of the 'quiet achievers' as well as those with high profiles. Importantly, the affluent can bring to the nonprofit sector the energy and input it needs to evolve: to do more, more effectively. The challenges facing society in the years ahead need the entrepreneurial spirit honed by the affluent. In return, the nonprofit sector promises meaningful returns to those who get involved.

This report digs into the opportunities for encouraging giving by the affluent underpinned by research that suggests there is unrealised potential for individuals to more fully engage with the sector in satisfying, productive and creative ways (Giving Australia, 2005).

This report is presented in five sections.

Section 1 frames the analysis, flagging issues that arise when investigating both giving in general and affluent givers. It also provides definitions used in the report.

Section 2 discusses giving behaviour by Australia's affluent. It sets data into context by summarising Australia's wealth trends and overall charitable giving behaviour including a picture of current giving in Australia across the whole population and nascent trends, recognising that data sources are scarce and disparate.

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Section 3 examines charitable giving by citizens in OECD countries. Particular attention is paid to the growth of affluence across OECD countries and giving by affluent segments. Available Australian and overseas data is compared.

Section 4 turns to donor motivations and the barriers that constrain giving, especially for the affluent. It considers issues in the donor decision-making process and factors that are contributing to new giving styles.

Section 5 of the report discusses the most promising avenues for increasing giving by the affluent. This section acknowledges the demand for a long-term multi-dimensional strategy, and ownership of the task by key stakeholders. No one body or group is able to orchestrate the change program if it is to result in enduring change. This section does not attempt to provide all the answers but instead provides guideposts and a reminder that initiatives need to be organic, sustainable and collaborative.

Section 6 concludes the report.

It should be noted that, in reading this report, the term ‘giving’ is used regularly and ‘philanthropy’ less so. For the purpose of this report, both terms are used interchangeably to refer to financial support by individuals for nonprofit community-related endeavours, that is, support aimed at benefiting the wider community not the individual per se. The terms cover *all* types of freely given donations or gifts, whether random, ad-hoc donations or planned, considered ones. They embrace gifts directed at formal, registered, philanthropic entities and those that are not, and both low and high level gifts. Unless otherwise stated, they exclude in-kind gifts and volunteering. (The extended term ‘charitable giving’ is sometimes used as a reminder that giving is aimed at achieving social good not personal benefit; it does not mean to imply that the recipient organisation is deemed a ‘charity’ by law).

The term ‘affluent’ is also used throughout the report and is used interchangeably with ‘wealthy’ and ‘high net worth’ (HNW) to refer to those with incomes and/or net asset levels that are well above average. The specific dollar boundaries of

this definition are discussed next (with all dollars Australian unless otherwise noted).

(See Appendix 1: Terms used in this report).

1.1 MEASUREMENT ISSUES AROUND AFFLUENCE

What measure should there be of affluence and what are its boundaries?

While personal wealth is an important factor in understanding giving, collecting such data is troublesome (Irvin, 2007) for three main reasons (UK Giving, 2006):

1. Widely varying levels in expenditure and debt for individuals, as well as the need by some for a high level of liquid reserves (for example, to meet calls on cash flow in business or to cover seasonal downturns in agriculture);
2. Family circumstances whereby a larger pool of finances may be ‘shared’. Measuring the wealth of individuals overlooks the reality of households and wider family networks. Individuals can share a high level of assets (such as homes and cars) or large personal incomes with spouses/partners or other family members. Thus a spouse or other family member may have little or no formal income yet enjoy an affluent lifestyle. Conversely, an affluent individual’s financial capacity may be substantially reduced, depending upon their family situation.
3. Some actions, such as the use of family trusts, can easily camouflage affluent lifestyles and an above-average financial capacity. Indeed, savvy structuring of one’s financial affairs may result in lower than average taxable incomes.

Indeed, one needs to be extremely cautious about making assumptions based on raw figures alone. Contrast the individual who runs a business with expenses that cannot readily be changed with someone who voluntarily and for a short time decides to live frugally in order to commit a high percentage of gross salary to superannuation. In these cases, income alone is insufficient to appreciate financial capacity.

Using a general notion of affluence, by say, referring to the top 10% or 20% of the population is highly appealing because, essentially, this report concerns itself with the financially wealthier end of our community regardless of definitional boundaries. However, data by these general categories is currently limited, confounding international comparisons. To be practical, we adopt a working definition that takes into account both individuals with a strong asset base as well as those enjoying a much higher than average annual income. Some will fall into one category but not the other.

Specifically, 'affluent' – used interchangeably in this report with 'high net worth' or HNW – is defined as individuals either with \$1.2 million in investable assets (that is, apart from their primary residence and minus debt) or with an annual personal taxable income (not gross and not household income) of \$100,000 or more. If gross income figures were to be used, this figure would need to be far higher, given ready availability of assistance by professional advisers to reduce taxable income.

This definition draws upon the World Wealth Report's definition of high net worth as individuals with investable assets of at least US\$1 million² and the ATO's high income band categories. Just over 1% of Australia's adult taxpaying population or 168,000 individuals fell into the former category in 2006 (Merrill Lynch/Capgemini, 2007) and 4.3% or 483,870 individuals in the latter in 2005 (McGregor-Lowndes & Newton, 2007). Given that some overlap is highly likely, *such a definition embraces around 5% of our wealthiest Australians*. (Unfortunately, some affluent individuals will be excluded due to the tax effective financial structures they use. Such slippage, alas, is inevitable and affects all studies of the affluent.)

This definition is fairly tightly drawn in that it relies upon statistics for individuals not households (see comment above about family circumstances) and excludes the value of the family home. For example, if *household* wealth was used and all owned property was included, ABS figures suggest that one in ten (9.8%) of Australia's 7.7 million households had a net worth (assets exceeding liabilities) of \$1 million or more (Invest Australia/Axiss Australia, 2007).

In this report, the terms 'ultra HNW' and 'rich' are used interchangeably and refer to individuals with investable personal assets between \$30 million and \$1 billion; the term 'ultra ultra HNW' (or 'super rich') is reserved for those at the apex of wealth (\$1 billion plus).

A fundamental issue for researchers is gaining access to reliable information about individual levels of personal wealth stripped of debt. Such information on individuals is outside the current scope of government and banking system data collections and the individuals themselves, understandably, are not necessarily willing to divulge their financial situation (and indeed may not have this information 'top of mind' even if motivated). Commonly, the affluent are difficult to access by the normal research methods of telephone and mail contact due to increased mobility and screening methods such as private numbers. Moreover, if contact *is* made, the opt-out rate in voluntary surveys is high. Such individuals may strongly desire privacy and anonymity: why should they agree to share what is arguably highly sensitive information with strangers? For example, in seeking to examine charitable behaviour by the affluent, the Centre on Philanthropy at Indiana University with the assistance of Bank of America mailed some 30,000 surveys to individuals in the most affluent zip code areas across the US to receive fewer than 1,000 replies (with no check feasible for the accuracy or comprehensiveness of their responses).

Alternatively, data may be collected from those who advise the affluent but while some have access to a client's entire financial situation, others may not. Further, advisers can be reluctant to release client data for a host of reasons. The wish to protect clients' interests and to preserve the client relationship is paramount for advisers with wealthy clients (Madden, 2007).

While the issues raised in this section are insufficient reasons *not* to pursue understanding of affluent giving behaviour, they underscore the necessity to treat findings of any study as indicative only.

² While the exchange rate has favoured Australia most recently, rates have fluctuated. In this report, the more conservative \$1.2 million equivalency is used.

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1.2 MEASUREMENT ISSUES AROUND GIVING

While comparisons are difficult because countries vary in what they count as giving, how they measure it, and the extent they do so, such comparisons are vital. They help countries to determine particular areas where giving falls below similar countries and how efforts might best be directed to encourage it.

In considering studies that have been conducted, and may be in the future, it must be appreciated that no single approach is foolproof (CAF, 2007; Roodman & Standley, 2006). Estimates of private donations generally rely upon one of the following three data sources, each with their own limitations:

1. *Individual and household surveys.* While these have the advantage of being able to recognize both donations claimed for tax deductions *and* those that are not, surveys are commonly limited in scope (sample size and questions asked) due to cost. Findings also depend upon imperfect human memory as well as truthfulness by individuals about charitable giving which, as a socially desirable behaviour, encourages *over-reporting*. The consensus in the literature appears to be that recall is the more serious problem as donations may not be important to donors and researchers commonly ask them to account for donations over a long period such as the year prior to interview (Wilhelm, 2007).

Also, while surveys seek to use random sampling methods (with no preference for certain types of individuals), they can be skewed to those who are most accessible, have more time, or have few privacy concerns. This can mean that some groups, such as the affluent, are underrepresented. This is an important point. When a country's political leaders are committed to the value of philanthropy in their society, surveys are more likely to be adequately resourced and implemented, leading to more accurate assessments of giving trends and opportunities. For example, a

comprehensive study of charitable giving by UK-based wealthy was made possible only through the co-operation of the HM Revenue and Customs department for the sampling frame (Taylor, Webb & Cameron, 2007).

Finally, survey findings can also be limited by design factors. For example, Bekkers and Wiepking (2006) show that a short cluster of giving questions is likely to result in an underestimation of the effects of giving predictors on the amount donated and an overestimation of their effects on the probability of charitable giving. For this reason, researchers need to share best practice approaches.

2. *Tax returns.* The advantage of using tax statistics (and other officially required information) is that findings are comprehensive in a way that cannot be achieved by voluntary surveys thus providing a reliable 'apple to apple' database for trend analysis. However, countries vary in the level of detail they require about giving. Generally, studies based on tax statistics undercount giving behaviour, sometimes substantially, and it is unclear how countries differ on this 'undercounting'. In Australia, analysis of tax data suggests that only about one in three dollars donated to charities is claimed as gift deductions (McGregor- Lowndes & Marsden, 2005). Other research estimates that the ratio of claimed to unclaimed donations by individuals may be as low as one dollar in four (Giving Australia, 2005). The Giving Australia research suggests that while donors generally are reluctant to claim small donations, the affluent appear more willing to claim deductions for donations than those on lower incomes. This is understandable given the greater use of accountants by wealthier individuals to prepare their tax returns as well as the larger donations, on average, by those who do give.

3. *NPOs and intermediary organisations.*

Sector data about private donations can provide a valuable tracking method for national giving but unless mandated, NPOs differ widely in the records they keep (and legislative requirements also vary). While larger ones commonly keep good records, most NPOs in Australia are small (Lyons & Hocking, 2000) and may not be resourced to do so. Indeed, small NPOs may be under-represented in sector surveys due to lack of time to participate.

In sum, while individual studies provide snapshots of giving behaviour by individuals, no one study can tell the entire story. Relying upon more than one type of data source is essential and different kinds of studies can fill in gaps. However, because some countries lack the political will, or resources, for undertaking even one national study let alone regular studies to track changes, international comparisons are incomplete.

2 CHARITABLE GIVING IN AUSTRALIA

This section describes rising levels of personal wealth in Australia (section 2.1), charitable giving behaviour across the country (section 2.2) and giving trends (section 2.3). It then acknowledges the scope and impact of taxation initiatives by the Australian Government to encourage charitable giving, especially by those with the means to do so at higher levels (section 2.4).

2.1 RISING PERSONAL WEALTH

Australia reflects international wealth trends (see section 3.2). In Australia, real private sector wealth reached \$6.3 trillion in 2005, more than six times the annual GDP and the highest level on record (ABS, 2006a). The average Australian was estimated to hold assets valued at \$361,000 at June 2006, an increase of \$150,000 since 2001 (Australian Treasury, 2007). Indeed, in the decade to 2006, the average household incomes grew by 34% in real terms (ABS, 2006a). This broad trend to affluence is mainly based on rising values of housing but also superannuation, shares, and other assets held (ABS, Harding, 2003 & Kelly, 2006a).

However, it is more *affluent* individuals who have experienced the greatest acceleration in wealth. Since 1995, the real mean income of both low and middle income people has increased by around 31%, compared to 36% for high income people (ABS, 2006a). In just two years to 2006, household incomes in the low and middle income segments grew by 8% while those in the high income segment jumped, on average, by 13%.

As a result, the wealthiest 20% of households held 61% of total Australian household net worth in 2006, with an average of \$1.7 million per household (ABS, 2006a). Other research suggests that the wealthiest 10% of the population holds almost half the total household wealth in this country (Baker, 2007). More precisely, Datamonitor calculates that the wealthiest 1.4% of the population (those with more than \$513,000 in liquid assets) held 43% of total liquid retail wealth in 2004 (Datamonitor, 2005, p. 17). This stronger growth at the top end can be explained, at least in part, by favourable tax cuts, according to the director of the National Centre for Social and Economic Modelling, Ann

Harding (Saulwick, 2007). The rising value of superannuation assets (and equities) also has been an important driver of wealth in the country (Invest Australia/Axiss Australia 2007).

Not only has the affluent Australian's average level of assets risen substantially over the past decade but the numbers of affluent are surging (Australian Financial Review, 2006). The rate at which Australians are joining the affluent segment puts the country alongside Singapore, South Africa and Hong Kong, the fastest growing high net worth (HNW) populations in the world (Merrill Lynch/Capgemini, 2006). That is, the growth rate of the HNW population in Australia exceeds many of the world's most affluent nations including the US, the UK and Japan and the private wealth market in this country is now 11th largest in the world (Invest Australia/Axiss Australia, 2007).

Australia joined the ranks of the world's top ten countries for the *absolute* numbers of HNW individuals (HNWIs), rather than per capita, for the first time in 2006, which is remarkable given its relatively small population (Merrill Lynch/Capgemini, 2007). The total number of Australia's HNW population is only exceeded by Japan and China in the Asia-Pacific region, more than in South Korea, India, Hong Kong, Taiwan, Singapore or Indonesia. The World Wealth Report (Merrill Lynch/Capgemini, 2007) states the number of HNWIs in Australia to have leapt by more than 37% in just three years to 2006 (from 117,000 to 160,000). This group – with investable assets worth US\$1 million or more – represents approximately 1% of Australia's adult population. The wealthiest sub-group – the 'ultra' high net worth with the equivalent of US\$30m plus – is estimated by the World Wealth Report (Merrill Lynch/Capgemini, 2007) to have grown in number by 11.9% to nearly 1,200 in 2006.

Indeed, growth at the apex of wealth has been stellar. In the year to 2007, the total wealth of the wealthiest 200 individuals in Australia is estimated to have increased by a massive 26.7%, from \$101.5b to \$128.6b (Thomson, 2007). The top 200 families in Australia now claim an average net worth of \$611m, up 17% from 2006 (p.30). Drivers

of this wealth include a continuing resources boom, record-breaking superannuation dollars and the lucrative opportunities within private equity markets (p.28). Also many investments have been sold at peak prices in the past year or so, with concern to cash in on the good times and take a more defensive investment position given the country's decade-long period of prosperity and, for some, to prepare for retirement and wealth transfer (Thomson, 2007). It is suggested that wealthy entrepreneurs increasingly prefer to sell up and split proceeds rather than force reluctant offspring into family businesses (p. 38). For such reasons, the country's financial elite is 'awash with money' (p.34), further widening the gap between rich and poor.

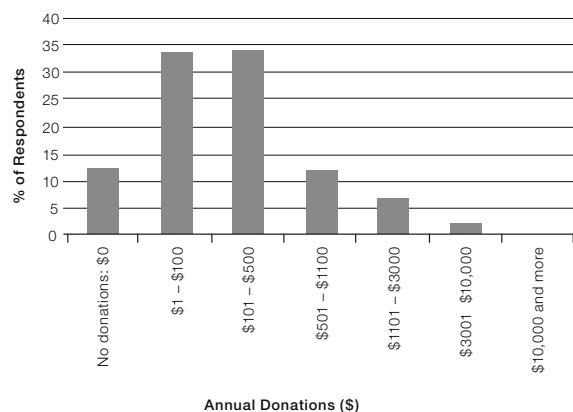
The future is also projected to be highly favourable for the affluent in Australia, as it is in a range of other countries such as the US, the UK, Italy and Sweden. While stock markets are expected to fluctuate (as demonstrated by their recent volatility due to the sub-prime lending crisis in the US) and economic conditions swing into neutral or even negative cycles over time, assets are expected to continue growing. Levels of private wealth, especially at the wealthier end of the population, will be boosted by substantial wealth transfers over the next 40 years as older generations die, leaving estates to their offspring (Havens & Schervish, 2003; Kelly & Harding 2003).

2.2 CURRENT CHARITABLE GIVING

Based on two national surveys, total charitable donations in Australia were estimated at \$11b in 2004 (excluding Tsunami donations which pushed giving levels unusually high). Stripping out business giving (\$3.3b) and gambling that benefits charities (\$2b), a more precise national giving total for individuals is \$5.7b or 0.68% of Gross Domestic Product (GDP) (Giving Australia, 2005). Some 87% of Australian adults are estimated to have personally donated at least once in 2004, with the average donation \$424 and the median (including religious giving) at \$130.

Chart 1 below shows the size of annual charitable contributions by respondents in the Giving Australia household survey. It is noteworthy that only 8.6% (532 respondents) reported donating more than \$1,100 in 2004 and the majority of these gave less than \$3000. This data highlights the prevalence of small value donations across the great majority of Australians (Appendix 2 shows where this money goes).

CHART 1: SIZE OF ANNUAL DONATIONS BY INDIVIDUALS IN AUSTRALIA IN 2004



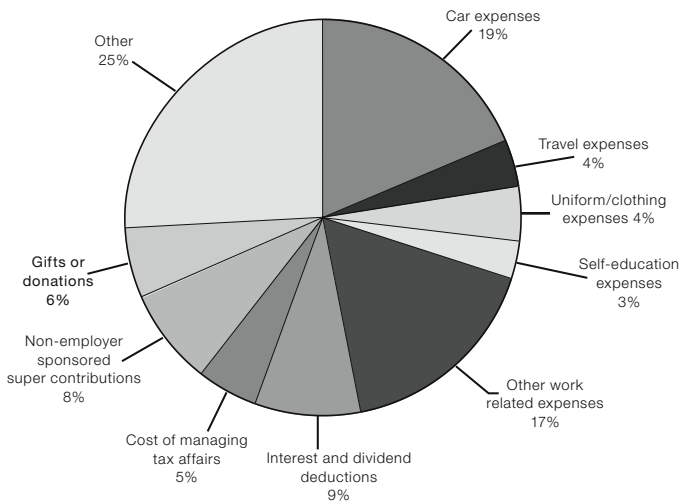
Note: Donations are total donations including to religious causes
Source: Giving Australia (2005) household survey database

Tax statistics also shed light on Australian giving. The total value of donations claimed by individuals as taxation deductions in Australia in 2004-05 was \$1.47b, up 26.3% (\$307 million) from the previous year (McGregor-Lowndes & Newton, 2007). This includes aid to victims of the Asian Tsunami which is estimated at increasing donations by up to 21.7% without impacting 'normal' giving to local causes in any serious way (McGregor-Lowndes & Newton, 2007).

In the context of overall personal tax deductions, however, donations only represent a tiny slice (6%), as **Chart 2** shows. Its share of total personal deductions is only slightly higher than the amount claimed for using tax agents to prepare income tax statements (5.3% of the total value of deductions) and one-eighth of work-related deductions. Even for those with taxable incomes in excess of \$100,000, donations represent only 10% of the value of all deductions.

CHARITABLE GIVING IN AUSTRALIA

CHART 2: DEDUCTION CATEGORIES AS A PERCENTAGE OF TOTAL DEDUCTIONS IN AUSTRALIA (2004–5)



Source: Drawn from ATO figures accessed www.ato.gov.au September 2007

Overall, 38.4% of all Australian taxpayers (4.3 million) made and claimed for charitable gifts in their tax returns of 2005, representing an average of just 0.33% of these donors' taxable incomes. Across all taxpayers, donating or not, donations account for a minuscule 0.00032% of the average Australian's taxable income.

Evidence suggests that many donations are not claimed on tax, although those not claiming tend to be those on low and mid incomes. The main reason for not claiming deductions on tax appears to be the perceived small size of gift (Giving Australia, 2005).

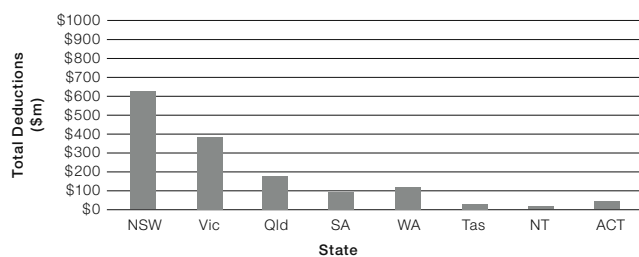
Recent figures from the Australian Bureau of Statistics' Voluntary Work Survey (ABS, 2006b) estimates that 77% or 11.8 million Australian adults made at least one charitable donation in 2005-06 (whether claimed as a tax deduction or not). This is a more subdued participation rate than that provided by Giving Australia a year earlier but there were methodological differences and a potential 'halo' effect associated with the Asian Tsunami may have pushed Giving Australia figures a little higher.

2.2.1 CHARITABLE GIVING BY STATE

Giving Australia (2005) research indicates that donor participation rates are higher in capital cities than elsewhere (with the exception of Queensland which is highly decentralised). Sydney and Melbourne have the highest proportion of donors to their total populations of all capital cities (around 88% in each). Further, the total value of donations is highest in Sydney, reflecting in part its large population, and, taken together, Sydney and Melbourne account for almost half the donation dollar in Australia (47%).

Tax statistics confirm the dominance of New South Wales in the giving stakes in 2005 (McGregor-Lowndes & Newton, 2007): NSW taxpayers claimed the largest amount of tax-deductible donations of any Australian state or territory, as **Chart 3** shows. They also made the highest average donation in real dollars *and* the highest donation as a percentage of taxable income. (This latter figure is a particularly valuable figure as it accounts for different income levels.)

CHART 3: TAX-DEDUCTIBLE DONATIONS BY STATE OF RESIDENCE IN 2004–05



Source: McGregor-Lowndes & Newton, 2007

The 2005-06 Voluntary Work Survey (ABS, 2006b) highlights wide differences in donor participation in Australia based on geography, ranging from 70.3% in the Northern Territory to 85.1% in the ACT. The percentage of donors in NSW and Victorian populations is estimated as 73.1% and 78.6%, respectively.

Other socio-demographic characteristics of Australian donors can be derived from Giving Australia and ABS research. These studies generally agree that:

- Across the whole population, the age group most likely to donate is 45 to 54;
- Those who volunteer were more likely to donate than those who were not (85% compared with 72%);
- A greater percentage of women donate (81%) than men (73%);
- Those with higher levels of educational qualifications had above average rates of giving: 85% of those with diplomas and 84% of those with a graduate degree or higher (compared to the average of 77%);
- Those in part-time employment were more likely to donate than other Australians (81%), with female part-time workers the most likely to make donations (85%).

See Appendix 3 for additional data on Australian donors.

2.3 GIVING TRENDS

Are Australians becoming more or less engaged in charitable giving?

Different data sources support the conclusion that the total value of donations given by Australians has increased over the past decade, in real dollar terms and inflation-adjusted dollar terms. So, too, has the average donation. This latter figure is the more significant figure because Australia's growing population has expanded the pool of givers, muddying the answer to the opening question of whether Australians are becoming more engaged in charitable giving or are there simply more Australians available to give? Australia's 2007 population stands at just over 21 million, an increase of almost 17% since 1995 (and 10% since 2000).

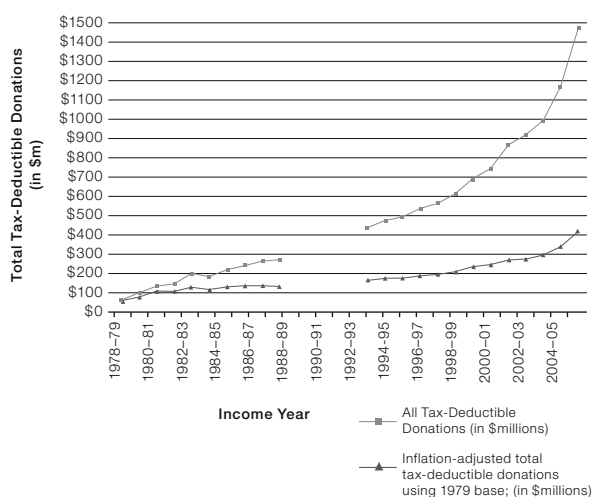
Tracking change in charitable giving is complicated because the few studies that exist rely upon different methods of calculation over different time

periods, as discussed above. The Giving Australia research (2005) is helpful because, while it has its limitations, it provides the most comprehensive data to date. Its findings clearly point to a rise in total giving after inflation, and a rise in the average donation, in the seven years from 1997 to 2004 (estimating increases to be 58% and from \$331 from \$424, respectively).

CPNS' annual comparison of tax data shows a similar positive trend since 1978-79. In real terms, the increase in tax deductible donations is dramatic, clipping along at 10.4% per annum in the past decade (McGregor-Lowndes & Marsden, 2006; McGregor-Lowndes & Newton, 2007). Indeed there have been two marked increases in tax deductible donations in recent years: in 2001-02 (the same year Prescribed Private Funds were introduced) when claimed donations jumped 16.7% over the previous year and in 2004-05 (when the Asian Tsunami occurred) when claimed donations rose 26.4 % over the previous year).

As noted, population increases help explain increased total giving, and tax incentives and natural disasters will have some impact on giving levels. While the growth in donations has outpaced CPI increases over the past 14 years, the inflation-adjusted increases are far more modest, as *Chart 4* shows.

CHART 4: TOTAL TAX-DEDUCTIBLE DONATIONS TO INFLATION-ADJUSTED TOTAL TAX-DEDUCTIBLE DONATIONS SINCE 1978-79

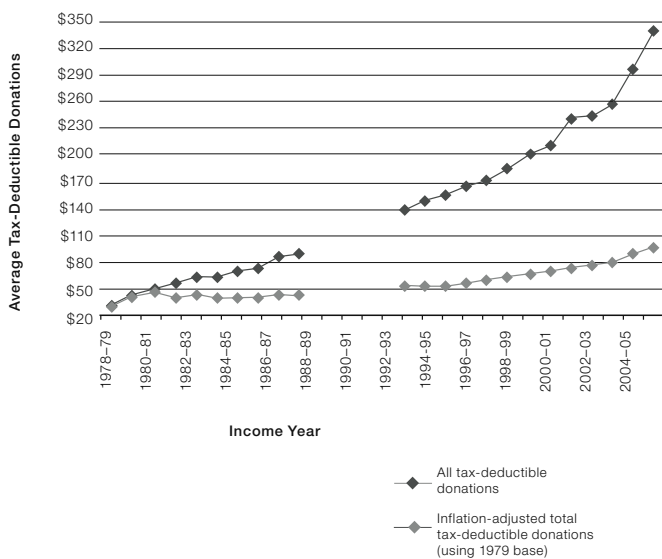


Source: McGregor-Lowndes & Newton, 2007

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Chart 5 shows the rise in the *average* annual tax-deductible donation in dollars (before and after inflation) since 1979. After inflation, the average donation in Australia has increased from around \$30 in 1979 to almost \$110 in 2005.

CHART 5: AVERAGE TAX-DEDUCTIBLE DONATION TO INFLATION-ADJUSTED AVERAGE TAX-DEDUCTIBLE DONATION SINCE 1978-79

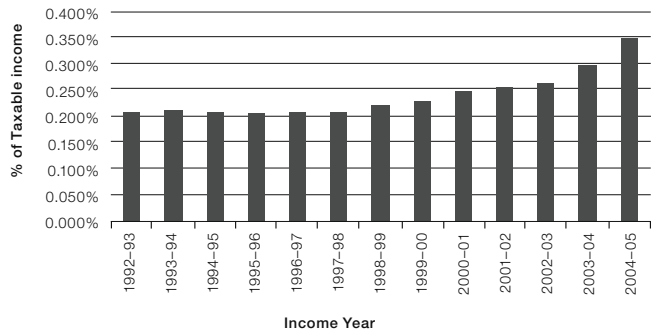


Source: McGregor-Lowndes & Newton, 2007

An even better indication of changes in personal giving is to calculate the average donation as a *percentage of income*, as it takes inflation out of the equation. **Chart 6** identifies the very modest increase (less than 0.15%) in the value of the average donation as a *percentage of individual donor's taxable income* since 1992.

The most discernable change has occurred since 2000. It should be noted that these figures exclude taxpayers who do not claim charitable donations; if they were included, rate of giving would shrink dramatically.

CHART 6: TAX-DEDUCTIBLE DONATIONS AS A PERCENTAGE OF TAXABLE INCOME

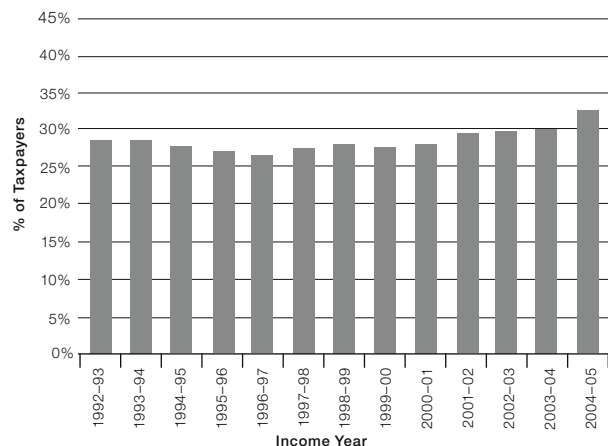


Source: McGregor-Lowndes & Newton, 2007

While the number of Australian taxpayers making and claiming for charitable gifts is now at its highest recorded level (4.31 million, up from 3.12 million in 1994-95), the *proportion* of Australians making donations has increased by just over 5%, from 33% to 38.4% of the total taxpayer population, as **Chart 7** shows (McGregor-Lowndes & Newton, 2007).

Perhaps surprisingly, this increase is not skewed to higher income individuals, whose wealth has escalated most quickly. The proportion of Australians in each income band who claim tax deductions on their giving remained *relatively unchanged* in the decade from 1993 to 2002. It is too early to determine if the slight rise of the past three years will continue.

CHART 7: PERCENTAGE OF DONATING TAXPAYERS TO TOTAL TAXPAYERS



Source: McGregor-Lowndes & Newton, 2007

In sum, Australians overall have become more engaged in charitable giving over the past two decades. The strongest increase shows for the total value of contributions. A more modest increase is recorded for the average contribution (the dollar amount given adjusted for inflation *and* the percentage of income claimed as a donation), and the donor participation rate.

2.4 GIVING BY AFFLUENT AUSTRALIANS

The bulk of charitable giving in Australia today is in the form of small donations, as noted, given by various segments in the wider population not only the affluent (with \$1.2 million plus in investable assets or taxable incomes in excess of \$100,000). Even donations claimed on tax returns are largely the province of those with personal taxable incomes of between \$50,000 and \$100,000 annually (with around \$52,000 being the average Australian income). Of this large cohort of 2.4 million people, some 1.3 million claimed for a donation on their tax return in 2004-05 (McGregor-Lowndes & Newton, 2007). These donors claimed the largest slice of the tax-deductible giving pie, 28.5% of the total value of donations claimed. The affluent give more, on average, but not enough to change the giving balance.

As both tax data and Giving Australia qualitative findings indicate, the greater an individual's income, the more likely he or she will make and claim a donation and the higher that donation is likely to be (See Appendix 4). For example, some 10% of Australians with incomes under \$10,000 claimed tax-deductible donations in 2005, a rate that rises with each income band to approximately 65% of all taxpayers in the peak income category of \$1 million plus (McGregor-Lowndes & Newton, 2007).

Further support for this positive relationship between income and giving is provided by the latest Australian Voluntary Work Survey which asked about making donations generally (both claimed on tax or not). Its findings show that Australians living in areas in the highest quintile of socio-economic status had an 80.9% donor rate, compared with 69% in the lowest 20% (ABS, 2006a).

However, giving by the affluent in Australia is highly variable, within and across affluent income segments. Analysis of 2005 tax statistics by McGregor-Lowndes and Newton (2007) reveals an upper affluent category of 4,500 individuals with taxable incomes of \$1 million plus ('the upper tier'), of whom 66% claimed charitable donations valued at \$176.6 million and an average gift per donor of 1.98% of these donors' taxable income (\$59,351).

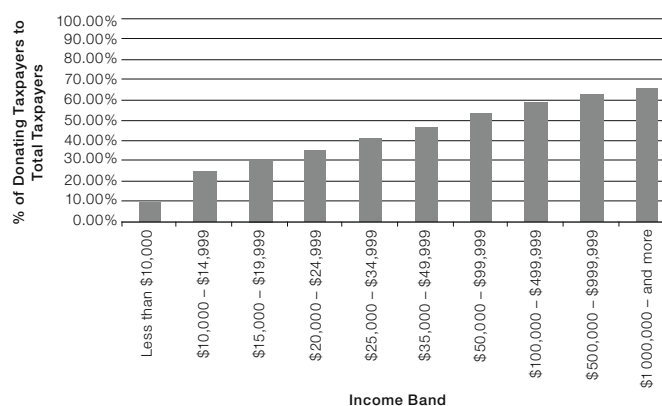
The mid tier comprises 13,230 taxpayers with taxable incomes between \$500,000 and \$1 million, of whom approximately 62% claimed charitable donations valued at \$64.5 million, with an average gift per donor of 0.78% of these donors' taxable income (\$7,775).

The lower tier (\$100,000 to \$499,000) comprises a massive base of just under half a million affluent Australians (466,130) of whom just 59.2% claimed charitable donations valued at \$310 million and an average gift per donor of 0.45% of these donors' taxable income (\$1,123).

Charts 8, 9 and 10 contrast the giving behaviour by these groups within the affluent population, highlighting the importance of segmentation into distinct categories.

Chart 8 demonstrates that as income level increases, so too does the donor participation rate. However, such figures also spotlight those who are not giving to charitable causes despite their financial wherewithal to do so. These figures suggest that one in three affluent Australians may be donating only negligible sums.

CHART 8: PERCENTAGE OF DONATING TAXPAYERS TO TOTAL TAXPAYERS BY INCOME BAND IN AUSTRALIA 2004-05



Source: McGregor-Lowndes & Newton, 2007

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Chart 9 confirms the expectation that those with greatest financial capacity would give the most, at least in part. While affluent individuals do give more in real terms, those in the \$100,000-\$499,999 and \$500,000-\$999,999 income brackets give at a relatively low level in relation to these taxpayers' incomes. The former's average claimed donation of \$1,123, for example, is out of scale to the \$59,351 donation by those in the highest affluent bracket notwithstanding the wider income range. Nor is this \$1,123 average donation in scale with those on lower incomes; it is only some \$800 more than the \$321 average donation by those with incomes between \$50,000 and \$99,999).

CHART 9: AVERAGE TAX-DEDUCTIBLE DONATION BY INCOME BAND IN AUSTRALIA 2004-05



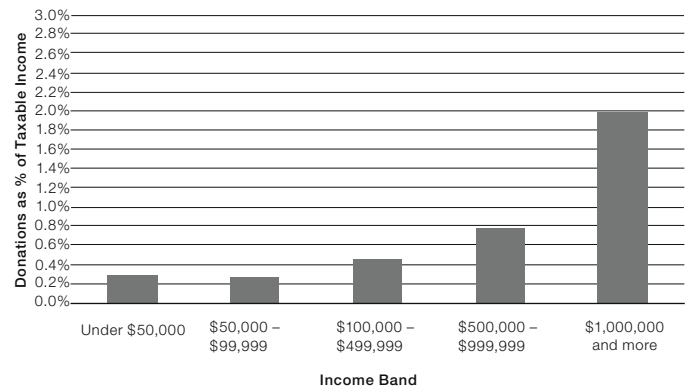
Source: McGregor-Lowndes & Newton, 2007

The wealth distribution of affluent Australians reflects a pyramid shape with the base comprising those with taxable incomes between 100,000-499,999 and the peak comprising those with taxable incomes over \$1 million. In 2005, those at the peak represented just 0.9% of affluent taxpayers but 32% of total affluent giving while those with \$100,000 to \$499,999 incomes represented an overwhelming (96.3%) of all affluent taxpayers yet only 56% of the total value of affluent giving (McGregor-Lowndes & Newton, 2007).

Chart 10 shows that it is only some affluent Australians who give a *substantially* higher percentage of their income than those with less wealth. Individuals with taxable incomes under \$100,000 who claim charitable donations give approximately 0.3% of their incomes. This

percentage increases as one progresses into higher income bands but only by small increments and coming off a low base, until one reaches the \$1 million plus income bracket.

CHART 10: TAX-DEDUCTIBLE DONATIONS AS A PERCENTAGE OF TAXABLE INCOME BY INCOME BAND IN AUSTRALIA 2004-05



Source: McGregor-Lowndes & Newton, 2007

Other data, while scarce, aligns with this trend. The Giving Australia (2005) national household survey addressed giving by the affluent in a limited way – by only reporting on individuals with incomes over \$52,000 – but it identifies a slightly higher donor participation rate for affluent individuals compared to Australians generally: 90.5% and 87%, respectively. It also identifies a higher level of donation by affluent individuals compared to the average Australian: \$769 and \$424, respectively.

Delving deeper into the household survey dataset, 220 respondents with gross annual household incomes of \$104k or more were included in the sample, reporting an average donation of \$1,431 more than lower income groups (see Appendix 5 for more detail).

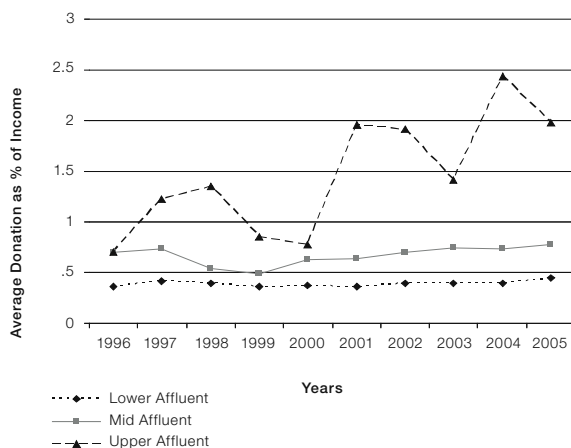
ABS data also supports this wealth-giving nexus showing that the higher the socio-economic status of the area in which an individual resides, the higher the percentage of donors in that area (ABS, 2006a). In the highest quintile, for example, it is 80.9%.

In sum, four main conclusions can be drawn about charitable giving by the affluent in Australia.

1. Individuals on higher incomes are more likely to give than those on lower incomes but there is still a large proportion of the affluent who give at negligible levels.
2. The average donation, per annum in dollars, is higher than those on lower incomes but wide variations in donation amounts exist.
3. The percentage of income that is given is higher for the affluent but it only exceeds 0.8% of taxable income at the *very top* level of affluence.
4. The share of total giving by those in lower affluent bands is tiny compared to those in the wealthiest segment.

There is evidence, too, that giving behaviour is not keeping pace with increases in personal wealth for those in affluent segments. Chart 11 highlights the modest increases in average donations for the mid and lower affluent segments, expressed as a percentage of income, over the past decade. The largest increase has occurred for donors in the wealthiest cohort – the ‘upper’ affluent group – whose average donation of 1.98% of their income is up from 0.7% in 1996. Contrast this to ABS’s estimated 36% increase in real mean income by the affluent population as a whole over this period (ABS, 2006a).

CHART 11: AVERAGE CLAIMED DONATION BY AFFLUENT DONORS AS A PERCENTAGE OF INCOME

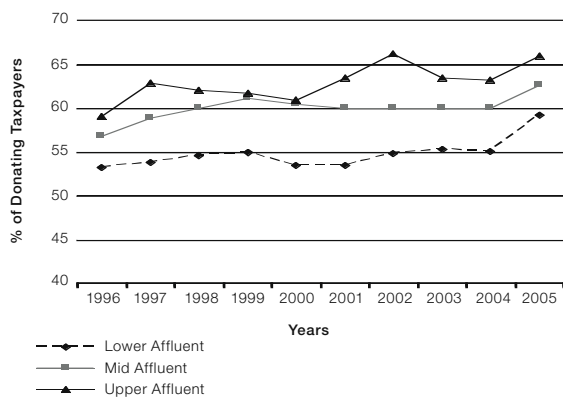


Note: Donations refer to tax-deductible donations. Figures are drawn from McGregor-Lowndes & Newton, 2007.

Thus, despite a galloping growth in affluence by this group since 1995, tax-deductible charitable donations by those earning over \$100k have not matched wealth trends. More detailed breakdown of figures for different affluent segments is recommended as there appears to be an increase in donations by the highest income group since 2001 that is not matched by other affluent groups.

Moreover, the proportion of donors in the affluent taxpayer cohort participation has increased at a modest rate over the decade. *Chart 12* shows that the donor participation rate amongst those with taxable incomes between \$100,000 and \$1 million per annum, measured by the percentage of donors in that taxpayer cohort, increased by just over 10% between 1996 and 2005. Contrast this to the dramatic growth in numbers in the affluent population (estimated to have grown by 37% in just three years to 2006) (Merrill Lynch/Capgemini, 2007), as well as their higher asset levels.

CHART 12: DONOR PARTICIPATION RATE BY AFFLUENT AUSTRALIANS 1996–2005

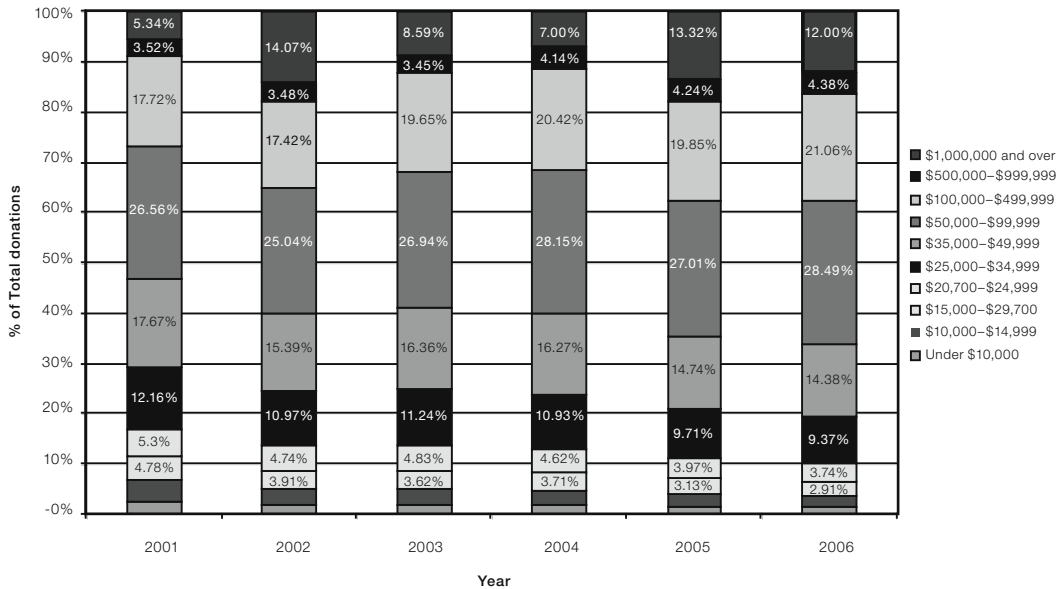


Note: Donor participation refers to individual taxpayers who made and claimed tax-deductible donations. Figures are drawn from McGregor-Lowndes & Newton, 2007.

Finally, *Chart 13* shows the share of the total value of donations in Australia for each affluent segment from 2000 to 2005. This share has grown for each segment, with the most growth in the top income group. The greatest fluctuation is also shown for those in the highest income bracket (taxable incomes in excess of \$1 million).

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CHART 13: INCOME BANDS AS A PERCENTAGE OF TOTAL DONATIONS IN AUSTRALIA 2000-05



Note: Total donations refer to the total value of tax-deductible donations that individual taxpayers made and claimed. Figures are drawn from CPNS analyses of tax statistics 2000-2007.

In sum, despite growth in personal wealth for the affluent since 1995, indications are that charitable giving has grown at a more subdued rate. While more detailed breakdown of figures for different affluent segments is not currently available, such figures are needed to discern characteristics of, and dynamics associated with, both high and low givers within the affluent population.

2.5 TAXATION INITIATIVES INTRODUCED SINCE 1999

Many factors are likely to have influenced the wider Australian population's increased willingness to give over the past decade, notably an increased level of wealth. This rising tide of prosperity has increased on the back of a resilient economy with stable employment, increased participation in direct shares and a generally surging share market, and growth in the value of property (albeit creating issues around housing affordability).

There have also been key public policy and taxation changes, and other initiatives by the government to bolster private giving (see Appendix 6 for more detail, also www.partnerships.gov.au). Such moves reflect trends in the UK and the European Union to encourage private giving

(Catalogue for Philanthropy, 2006). This section considers the influence of Prescribed Private Funds (PPFs), the key tax measure aimed at wealthier Australians. (*Section 5* provides a larger discussion of efforts to nurture philanthropy in this country).

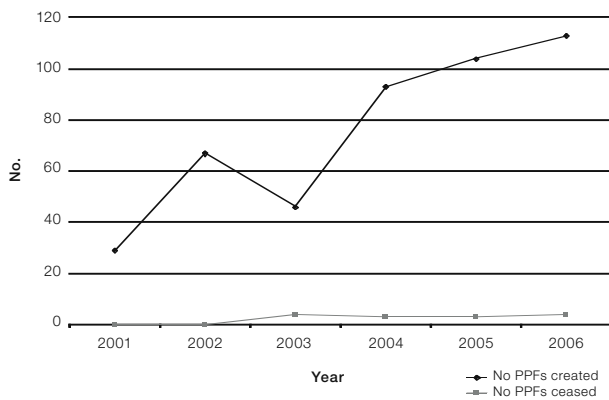
Since 1999, the following suite of measures has been introduced by The Prime Minister's Community Business Partnership to stimulate individual giving:

- 5-year averaging of donations
- Deductions for gifts of property over \$5,000
- Deductions for gifts of shares under \$5,000
- Deductions for minor benefit contributions (e.g. gala dinners)
- Deductions for workplace giving
- Conservation covenants
- Capital gains tax exemption for gifts within the Cultural Gifts Program
- The introduction of the Prescribed Private Fund (PPF).

The two that appear to be creating the most change are workplace giving and PPFs. To date, qualitative data suggests keen and growing interest in workplace giving programs for Australians generally but quantitative assessment of their impact is limited and will require more time.

The most compelling data of any incentive relates to PPFs, which has seen accelerated take-up by the affluent since their introduction in 2001 (corporate interest also exists). By the end of 2006, while 452 PPFs had been formally documented, anecdotal evidence suggests that more than 600 have been established and many more are in the pipeline. (*Chart 14* tracks their growth).

CHART 14: THE GROWTH OF PRESCRIBED PRIVATE FUNDS (PPFS) IN AUSTRALIA



Source: Based on McGregor-Lowndes & Newton, 2007

Recent growth in the total value of donations in NSW and Victoria as well as higher average tax-deductible donations by individuals living in those states corresponds to a higher take-up of PPFs in those states. Some have suggested a link but it is under-researched to date.

Giving patterns may better reflect wealth trends, as well as community responses to the spate of both natural disasters and man-made emergencies experienced globally since 2000, or all three 'triggers'. Regardless, there is enthusiasm for PPFs as a giving vehicle for larger and more sustained giving in Australia and PPF funds are growing.

In sum, evidence exists that charitable giving has increased in Australia since 1979, amongst the wider population as well as the affluent. However, in light of the strong increase in wealth held by wealthier Australians especially in the past decade, their increased giving is at a lower rate than might be hoped. Despite signs of philanthropic interest as shown by the establishment of some 600 PPFs, there remain some critical rents in the fabric of affluent giving in this country using a number of indicators: actual dollars given, the proportion of wealth or income donated and donor participation rates.

3

INTERNATIONAL COMPARISONS

Comparison caution. This section repeats the rider that international comparisons need caution. Different definitions and methods of data collections muddle benchmarks and in some countries only partial pictures of affluent giving can be gleaned.

In any country, it is usual to find an array of studies about the charitable giving habits of citizens but comparisons prove difficult even within the same country. Studies tend to adopt their own unique approach with differences in concepts and definitions used (such as individual versus household behaviour, categories of gift recipient), timing of gifts (for example, by month or year), the period for gathering data, and subject of interest (for example, monthly giving/direct debit giving/cash) (UK Giving, 2006). For example, the extent to which donations to religious organisations are included in giving data varies and, being substantial, this variation complicates comparisons (Center for Global Prosperity, 2007).

As a result, difficulties exist for researchers in developing theory and gaining insight into giving phenomena as well as for policy-makers who seek to assess the effectiveness of giving incentives. The general public, too, can be confused by media reporting different giving levels or trends.

Thus it is essential for giving studies to be clear about the methods they employ, what the findings actually tell us and the limits to these findings. Moreover, researchers can also learn from studying each other's approach and the lessons gained from hindsight. By sharing methods and replicating best practice, the quality of findings for giving studies can be optimised. Partnering with researchers in other countries also facilitates cross-country comparison. Finally, repeat studies (and those that seek to assess their robustness by comparing their findings with similar but far more comprehensive ones), allows 'apple to apple' comparison so can be highly informative about national giving levels.

This section first looks at global wealth trends, then charts giving in OECD nations followed by a comparison of OECD countries.

3.1 GLOBAL WEALTH TRENDS

The global affluent population now numbers more than 9.5 million, based on individual net assets held, excluding the family home, of more than US\$1 million, up by 8.2% in the year to 2006, and the highest number on record (Merrill Lynch/Capgemini, 2007). This figure is in line with The Boston Consulting Group's (Boston Consulting Group, 2006) 2005 estimate of 7.2 million millionaires (in US dollar terms) who collectively own 28.6% of total global wealth, which it estimates as totalling US\$88.3 trillion in 2004.

Investable assets held by this elite group totalled a massive US\$37.2 trillion in 2006, up 11.4% since 2005 (Merrill Lynch/Capgemini, 2007). The US claims the largest HNW population (41% of the total), followed by Japan, the UK, Germany, France and China (with 250,000) (Boston Consulting Group, 2006).

The trend to affluence has strengthened since 1995 fuelled by increases in GDP and market capitalisation across the globe, especially in emerging markets of China and India which sustained real GDP growth rates of 10.5% and 8.8% respectively. Indeed, this past year was marked by double digit (11.4%) growth in the value of assets held by this group globally (Merrill Lynch/Capgemini, 2007).

In the US since 1975, the concentration of the country's personal wealth at the top end has contributed to more markedly disparate wealth distribution (Irvin, 2007). Indeed, the past 15 years has been a time when the affluent population has grown dramatically in number and wealth (Community Foundation R&D Incubator, 2002). In just one five year period (to 2001), the number of millionaires in the US doubled (Wolfe, 2002). The US now leads the world, not only for the number of high net worth individuals (HNWIs), but for their level of assets, seeded by GDP growth (3.3% in 2006) and massive government consumption (Merrill Lynch/Capgemini, 2007). Most recently, its

HNW population expanded by 9.4% in 2006, up from 6.8% in 2005, while Canada's robust growth eased slightly, dropping from 7.2% in 2005 to 6.9% in 2006.

Europe's affluent population also has grown substantially in recent years, especially since 2000. In 2006 alone, HNW numbers grew by 6.4%, according to Merrill Lynch/Capgemini (2007), driven by robust GDPs and strong market capitalization in both Eastern Europe's emerging markets and in more developed Western countries. As well as numbers, there has been on-going concentration of wealth held by individuals, partly due to increases in the export of oil and natural gas from Russia. The UK is not left out, witnessing the emergence of the super-rich segment in the population over recent years (UK Giving, 2006). Datamonitor (2006) reports, that in the period between 2000 and 2005:

- The UK wealth market grew in terms of assets (rather than overall numbers) held, rising 4.6% to reach GB£541.5 billion;
- While there are more HNW women (with at least GB£1 million), men collectively hold a higher, and faster growing, level of assets;
- Older age groups dominate the HNW population for numbers (between 66 and 75 years) and wealth (between 56 and 65 years) but younger ones (between 18 and 45) are growing fastest in affluence (both in numbers and assets held).

In the Middle East and Africa, the HNW population grew by 11.9% in 2006 but levels of wealth across this group fell slightly, in contrast to the UK (Merrill Lynch/Capgemini, 2007). Oil continued to be the main driver of affluence in the region while Africa's real GDP surged on commodity prices which led to increased interest in foreign direct investment.

Latin America's wealth is increasing due to strong commodity prices and direct investments. Real GDP growth in the region was 4.8% in 2006 (Merrill Lynch/Capgemini, 2007). Brazil led the region, showing a jump in its HNW population of 10.1% in 2006, underpinned by increased private consumption and investment and lower inflation.

In the Asia/Pacific region, Singapore, India, and Indonesia have become amongst the world's fastest growing affluent countries (Merrill Lynch/Capgemini, 2007). Australia was so named for 2005 (see section 2.1). Double-digit growth was recorded for the HNW populations of Singapore, Indonesia and Taiwan in 2006, and India and China, with mammoth populations and fast developing economies, both recorded significant gains.

Other countries in the region are also showing gains. Japan is witnessing a trend for individuals to build fortunes as well as inherit wealth. In 2003, 60,000 households claimed average net assets of more than JPY 500 million and some 720,000 households had over JPY 100 million (Miyamoto, Mutoh, & Ogimoto, 2006). In Korea, a six-fold increase in the affluent population is expected between 2003 and 2008 (from 42,000 to 270,200) (Market Research.com, 2006).

Will these wealth trends continue? The signs are favourable. Some anticipate mature markets like the US to experience volatility in wealth levels in the short term if monetary policy and liquidity tighten (witness the recent subprime lending crisis) or property markets fluctuate (Farrell, Ghai, Shavers 2005; Merrill Lynch/Capgemini, 2007). Generally, however, longer-term prospects for the affluent are regarded as exceptionally favourable (see PricewaterhouseCoopers and the World Economic Forum, 2002). For example, Datamonitor (2006) projects the UK's HNW population to grow to 1.34 million by 2010 and assets of GB£ 846.7 billion. Longer term, pundits are also pointing to wealth growth driven by the transfer of assets across generations, which has already started and is expected to continue for the next four decades. This movement of assets will boost wealth levels of individuals across many countries (Remmer, 2000; Gerloff, 2003; Johnson, 2004). In the US alone, researchers have modelled this transfer as involving US\$40 trillion dollars or more between 1998 and 2052 (Gerloff, 2003; Havens & Schervish, 2003).

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3.2 GIVING IN OECD COUNTRIES

3.2.1 USA

It has been a transformative decade for giving in the US. 2006 marked the \$1.9 billion first instalment of Warren Buffet's four year pledge (see footnote on page 22) and total charitable giving in the US reached a record high of just over US\$295 billion (Giving USA, 2007). Total private donations represent 2.2% of GDP, remaining for another year above the 40-year average of 1.8%.

In 2005, the amount left to charity through bequests accounted for some 7% of the total estimated giving or almost \$17.5 billion compared to \$199 billion donated by those living. Private, independent and operating foundation giving also increased 9.1% (inflation-adjusted) over the previous year, a rise that is explained in large part by a surging stock market (gaining over 10% after inflation during the year) (Giving USA, 2007).

The Generosity Index (GI) (Catalogue of Philanthropy, 2006) gives an excellent window into giving by Americans, with some 1.2 billion tax returns across a decade now in its database. The purpose of this Index is to stimulate discussions of charitable giving in the year-end holiday giving season, by reporting the latest (two years earlier) IRS data summarizing personal income tax returns, Adjusted Gross Income (AGI) and Itemized Charitable Contributions (ICC), for the nation. It reveals a decade of economic boom times (mid 90s, post 2002) and recession (2001-02) with increased globalisation and unparalleled access to information. Since 1995, the number of individuals paying tax in the US rose 12% and while their average income (AAGI) increased 44%, *their average charitable contribution (AICC) more than kept pace by increasing 64% over the decade* (from \$2,449 to \$4,012).

Indeed, the total value of ICCs or amount claimed on tax for charitable giving, more than *doubled* – an increase of 117% (from \$74.8M to \$162.2M) – and the percentage of taxpayers seeking deductions for giving through ICCs rose from 26% to 30% during the decade. Giving USA researchers estimate that, while Americans using ICCs represent only a minority of the total number of donors, their gifts equate to some 80% of the total value of donations in the US, that is, more

than 70% of taxpayers (non-itemizers) contribute only 20% of total individual giving (Catalogue of Philanthropy, 2006).

The level of charitable giving in the US tends to parallel changes in the stock market; for example, in 2001, a year of dampened economic conditions, individual giving overall fell by 2.3% and bequest income for nonprofit organisations fell even harder (by 7.1%) (Wolfe, 2002). Bequests, in particular, tend to rely upon stock holdings for their value so are particularly vulnerable to economic conditions (with other factors such as changing death rates also playing a part).

Overall, bequests represent a small piece of the overall giving puzzle in the US (as in Australia and the UK), with fewer than 8% reporting a charitable bequest in their will for each of the past six years (Krauser, 2007). Compare this to charitable donations by the living: the clear majority of US households (68%) report contributions annually (Yoshioka and Brown, 2003) and there is growing interest in the option of 'living bequests through the use of charitable remainder trusts.

In terms of giving by the affluent, research shows that the wealthy are more likely to make charitable donations than the less wealthy (although participation rates are high for both) and to make a higher level of donation, as a percentage of income or wealth as well as in real terms (Schervish, 2002). They are also more likely to make non-cash contributions such as corporate stock, mutual funds and other investments (Wilson & Strudler, 2006) as well as charitable bequests, and this engagement with philanthropy increases with higher levels of wealth. This propensity to give finds comprehensive support through tax incentives (such as opportunities to reduce capital gains tax and estate duty).

Families with a net worth of US\$1 million or more represented only 7% of all households in the US in 2002 yet they made 50% of all charitable contributions (Schervish, 2002). The World Wealth Report (Merrill Lynch/Capgemini, 2007) suggests that this group donated an average of 7.6% of their portfolios in 2006, more than a 20% increase from 2005 levels, which it attributed in large part to a heightened sense of social responsibility amongst this group.

The 2007 Generosity Index (Catalogue of Philanthropy, 2006), a rich reservoir of data, confirms the direction of wealth trends discussed above. The number of Americans with taxable incomes in excess of US\$200,000 more than doubled in number over the past decade (up 138%) and now represent 2.3% of all taxpayers (up from 1.1%), as the following table (Table 1) shows. In addition, their average taxable income (AAGIs) rose 11% (\$499,393 to \$554,643) over this period.

This group also claims the heaviest 'itemizers' (those claiming tax deductions for their gifts) of all taxpayer bands, with 90% itemising. Given the penalties for either exaggeration or understatement, these tax statistics are taken to be a generally reliable indicator of this segment's charitable giving. Over the past decade, these affluent Americans gave more both as individuals and collectively. The average donation in dollar terms (AICCs) rose 26% (\$16,882 to \$21,246) and, more meaningfully, their giving as a percentage of taxable income rose from 3.4% to 3.8%. As a group, their share of total contributions in the US rose from 25% to 36% (Catalogue of Philanthropy, 2006).

Taking into account the net effect of all these increases, GI researchers conclude that the affluent in the US have tripled their level of giving (300%) and account for 45% of the total increase in giving in the past decade.

3.2.2 CANADA

In Canada, too, overall giving patterns appear generally strong in terms of participation although

average annual donations tend to be relatively small. On both fronts, giving is increasing.

Findings from the national survey of Giving, Volunteering and Participating with 20,000 Canadians in 2004 (Statistics Canada, 2006) show 85% (extrapolating to 22.2 million people in the wider population) donating, (that is, reporting at least one charitable cash donation in the previous 12 months) and fully 94% making either a financial or in-kind gift (or both) during the year (Statistics Canada, 2006). This participation rate suggests a marked improvement since the 2000 survey when 78% of Canadians reported making donations (Lasby & McIver, 2004). However, participation rates vary widely according to geographical location (93% on the eastern seaboard to 63% in remote regions), as do giving levels (from \$500 in Alberta to \$176 in Quebec) (Statistics Canada, 2006, p.13).

Total giving by Canadians in 2004 was CA\$8.9 billion representing an average gift of \$400 (up from \$250 in 2000) and patterns of giving show a direct correlation between level of donations and age, education and household income (Statistics Canada, 2006). In real terms, for example, those with household incomes in excess of CA\$100,000 gave 36% of the total donation dollar. Yet small donations dominate the giving pie. The median annual donation CA\$119 and only 10% of total donation value coming from annual donations exceeding CA\$870.

TABLE 1: US TAXPAYERS WITH INCOME > \$200,000, 1995–2004

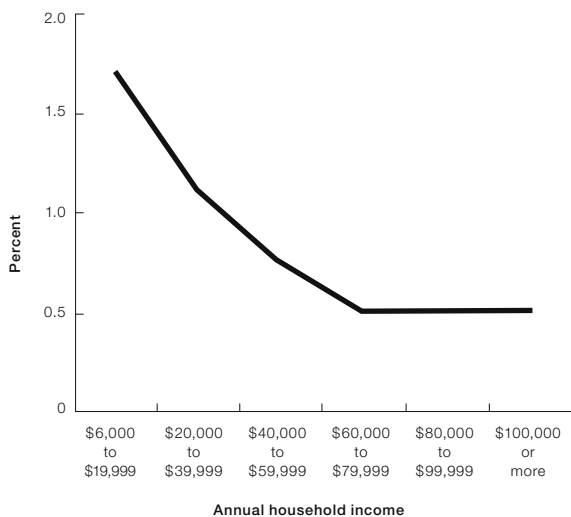
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
# of Returns (in millions)	1.3	1.5	1.8	2.0	2.4	2.7	2.5	2.4	2.6	3.1
% of itemizers	90.3%	90.0%	90.1%	89.8%	89.6%	89.5%	91.2%	91.3%	90.6%	90.1%
Average AGI	\$499,393	\$528,357	\$550,708	\$569,738	\$578,032	\$594,298	\$536,005	\$504,147	\$513,724	\$554,643
Change in AAGI		5.8%	4.2%	3.5%	1.5%	2.8%	-9.8%	-5.9%	1.9%	8.0%
Total ICC (in millions)	\$19.5	\$26	\$32.5	\$37.5	\$45.5	\$51.8	\$45.5	\$41.8	\$19.759	\$58.6
Average ICC	\$16,882	\$19,204	\$20,422	\$20,482	\$21,346	\$31,272	\$19,712	\$18,886	\$19,759	\$21,246
Change in Average ICC		13.7%	6.3%	0.3%	4.2%	0.3%	7.3%	4.3%		7.5%

Source: Catalogue of Philanthropy 2006

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Moreover, donors with annual household incomes of under CA\$20,000 gave a greater percentage of their household income (1.7%) than wealthier groups, as *Figure 1* below shows. Households with annual incomes in excess of CA\$100,000 give at only minutely higher rate than those with mid level incomes (0.5%). As this high income group consists of combined gross incomes, it is unclear how even more affluent households compare.

FIGURE 1: PERCENTAGE OF HOUSEHOLD INCOME SPENT ON DONATIONS, BY LEVEL OF HOUSEHOLD INCOME, DONORS AGED 15 AND OLDER, CANADA, 2004



Source: Statistics Canada, 2006

As noted with the USA above, bequest income represents only a very small proportion of total giving: only 4% report provisions for a gift through a bequest in their will or via some other financial planning instrument (Statistics Canada, p.14).

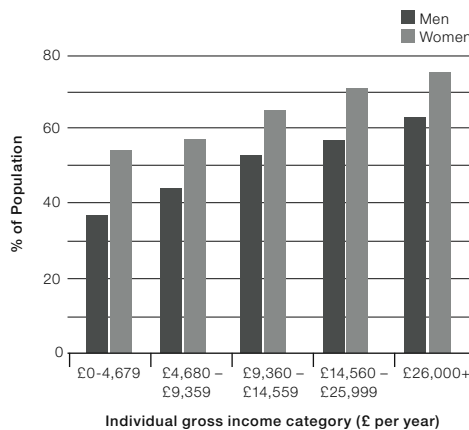
3.2.3 EUROPE

In the UK, The Giving Campaign (2003) shows evidence of an upwards shift in the overall level of giving over the past ten years which it attributes in large part to improved tax breaks for donations. However, there have been some dips. The most recent data, for example, shows charitable giving for 2006-07 at £9.5 billion. While this is up from £8.9 billion GDP the previous year, it is 3% lower in real terms (UK Giving, 2007). The latest figures, drawn from the UK's Individual Giving Survey (IGS), a module within the Office of National Statistics

Omnibus Survey, shows the average donation in the previous four weeks to be £16 per adult – or £29 per *donor*. Huge variations in giving amounts exist, distorting averages. In terms of participation, it reports that 54% of the adult population donate in an average *month* (similar to 2004-05 but below the 57% of 2005-06) and the percentage of people who give rises across income band.

Overall, levels of giving largely correlate with wealth, although some from each income band comprise the highest level giving segment (UK Giving, 2007). The percentage of people who give (donor participation) rises as income rises (although the highest income category is £26,000 gross per annum which represents the top fifth of the distribution of incomes) (UK Giving, 2006). The amount they give also is substantially more than donors on lower incomes, in real terms (*Figure 2*).

FIGURE 2: PERCENTAGE OF PEOPLE GIVING, BY ANNUAL INCOME, UK



Source: CAF 2007

However, despite giving more often and giving larger amounts, the total amount given by donors in the most affluent group represents just 0.8% of total income compared to 1.2% for donors generally. While higher income individuals pay higher taxes and this would increase the percentage given, it is unlikely that the figure would exceed 1.2% (p.28). Moreover, this level of giving as a percentage of total income is similar to findings from the UK's Family Expenditure Survey in the early 1990s which showed that the poorest 10% of households spent almost 3% of total weekly spending on charitable donations, compared to just over 1% for the richest 10%. (UK Giving, 2006) Methodological differences do not allow precise comparisons.

In Ireland, while the nonprofit sector is substantial and individual giving represents a larger share of nonprofit income than in many other countries, the country has traditionally eschewed high level giving and the foundation field is relatively small (Donoghue, Ruddle, & Mulvihill, 2000). From this context, giving levels have been rising over the past 15 years in the face of a strongly revitalised economy and tax incentives to encourage giving.

In The Netherlands, household contribution to charity was estimated at almost 1900 million Euro in 2003, with 95% of households donating an average of £306 pa (Weipking, 2007).

3.2.4 SOUTH AFRICA

A different picture emerges for South Africa, where an investigation of giving patterns by South Africans based on its census data of 2001 shows a relatively low formal donor participation rate, at just over half of those in the survey (54%) (Everatt, Habib, Maharaj, & Nyar, 2005). Giving directly to the poor – to street children, people begging on the street and so on – was commonly reported, with just under half (45%) doing so (giving money or goods). The average monthly donation per capita is estimated at ZAR27³ to organizations and ZAR6.60 directly to poor people, making ZAR33.60 in all. The mean for donors is ZAR44 per month. On average, men gave more money than women, both to organizations and directly to the poor (with women more likely to give goods and to volunteer their time). White respondents gave more money to organizations than others (ZAR80 to organizations and ZAR17 directly to the poor). A close correlation between education and giving is also indicated, showing those with no or low formal education giving at lower amounts.

3.2.5 TURKEY

Charities Aid Foundation (CAF,2006) shows individual giving in Turkey to be seemingly low at 0.23% of GDP but also speculates that, like South Africa, donors' tendencies can be to choose direct aid to those in need, thus their gift is not officially 'counted'.

3.2.6 ASIA

Throughout Asia, wealth is rapidly increasing, as noted, alongside an expanding non-governmental sector and philanthropy is growing (Deguchi 1994; Altman, 2005). For example, wealthy citizens in Singapore, Hong Kong and Taiwan are increasingly engaging in philanthropy.

In Japan, where a sizeable percentage of the world's HNW population resides (Boston Consulting Group, 2006), philanthropy has had only a short history and data is limited. Nevertheless, the Asian Community Trust has been formed and efforts are underway to foster philanthropic co-operation both within the country and internationally (Japan Center for International Exchange, 2007).

Similarly, Korean philanthropy is in its early stages, supported by an economy that is one of the fastest growing in the OECD region (Datamonitor, 2005; OECD, 2007). No data is available on giving by high income individuals. However, a nation-wide survey of giving by the Centre on Philanthropy at Korea's Beautiful Foundation in 2006 showed an average annual donation of approximately KRW70,000 (US\$70), and KRW102,000 (US\$102) for those giving regularly (Hee, 2006). This represents 0.46% of personal income or 0.23% of the average Korean's household income (p.6): religious cash and kind contributions together were valued at twice this. In addition, measures were made of 'congratulatory and sympathetic' gifts, a traditional custom that involved the average Korean giving a further annual average of around KRW324,000 (US\$324), more than four times the average cash donation for philanthropic reasons (Hee, 2006).

Giving by the affluent is also rising in the supercharged economies of India (OECD) and China (non-OECD), whether they are motivated out of goodwill, greater public consciousness of philanthropy, a more favourable tax and legal environment or improved efforts by charities (AWID and Just Associates, 2006). In particular, India's rapidly expanding affluent classes are

³In October 2007, \$AU1 = 6.13 Rand

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spearheading philanthropic activity (Merrill Lynch/Capgemini, 2007). Indian philanthropy has a long history but little precise trend information is currently available. Research by the Sampradaan Indian Centre for Philanthropy (2002) suggests that 96% of upper and middle class urban households make philanthropic contributions amounting to IN\$16 billion (US\$34 million) annually.

In 2007 the Chinese government announced the establishment of a Ministry of Civil Affairs information clearing house called the China Charity and Donation Information Centre which is aimed at improving communication across the charitable sector and encouraging philanthropy. Private donations to Civil Affairs departments for disaster relief in 2006 has been valued by Chinese authorities at nearly CNY4 billion (US\$500 million) (Tianle, 2007).

3.2.7 ELSEWHERE

There are indications that philanthropy is growing across other OECD countries (as well as in the non-OECD Brazil). For example, the United Arab Emirates, Russia and Mexico all register increases as wealth grows (Merrill Lynch/Capgemini, 2007).

Next, we consider cross-country similarities then differences in giving behaviour, keeping in mind the inconsistent nature of data available.

3.3 GIVING COMPARISONS ACROSS OECD COUNTRIES

According to the annual World Wealth Report, (Merrill Lynch/Capgemini, 2007) affluent individuals both in and out of OECD countries are increasingly drawn to philanthropy, with:

1. **Higher levels of giving at the top end.** There appears a slightly lessened focus on preserving wealth and ensuring inheritances and an increasing commitment to giving.⁴ The most generous 11% of HNW donors directed over 7% of their wealth to philanthropic giving in 2006 while 17% of ultra HNWI donors (US\$30m and more) contributed over 10% of their wealth. (Of

course, these figures relate to HNW donors not all HNWIs and the most generous segment of these).

2. **High correlation between active wealth generation and giving.** In the US, where this trend is most pronounced, entrepreneurs donate significantly more than those who inherit their wealth: an average of US\$232,206 versus US\$109,745.
3. **High profile individuals modelling a 'new philanthropy' built on leveraging.** Increasingly, wealthy individuals are strategically leveraging their financial resources, business savvy and entrepreneurial energy to create positive change in the international arena. Former politicians and entertainers are also stepping onto the philanthropic stage, donating their time and influence as well as money to bring public attention to causes.

A range of additional trends affecting giving across the globe is occurring (Center for Global Prosperity, 2007; Merrill Lynch/Capgemini, 2007).

1. **Intergenerational transfer of wealth.** This trend to wealth for younger generations as the older generation dies is unprecedented and will dramatically boost the assets of many individuals, including those already wealthy, with some positive impact on giving levels expected. Many countries are already experiencing these estate transfers and this will continue for the next four decades (Havens & Schervish, 2003).
2. **Professional advice becomes more holistic and client-centred.** Private banks and other professional firms are delivering 'wealth management' services that expand beyond their traditional range of services to advise HNW philanthropists.
3. **Partnerships between the private and public sectors.** Increasingly, there is a willingness for co-operation between those in private and public arenas to work together to address social need, each contributing

⁴ Spearheading this trend is Warren Buffet (projected to donate a large proportion of his personal fortune, approximately US\$37b to a handful of foundations, Bill and Melinda Gates (whose US\$33b-plus foundation seeks to address global health and development issues) and Richard Branson (projected to give all profits from his airline and rail businesses, an estimated US\$3 billion over the next 10 years, on combating global warming).

their unique experiences, skills and resources (Catalogue of Philanthropy, 2006).

4. **Media giving immediacy and exposure to giving.** Rapid technological advances are allowing immediate media images of impoverished disaster-struck areas, and the efforts of high profile individuals on the international philanthropic arena, to enter homes around the world.
5. **Substantial and fast growing levels of 'diaspora' or remittance giving.** With more population movements, the total donations made by individuals living in one part of the world and giving to their home communities with whom they feel close ties continues to grow. Such 'migrant remittances' was officially captured at US\$80 billion in 2002 but is estimated as far higher – up to US\$200 billion – due to substantial underreporting, according to a scoping study for the UK Department of International Development (Sander, 2003). The Index of Global Philanthropy estimates that 125 million people in developed countries 'send money home' and its value exceeds all governmental aid (Center for Global Prosperity, 2007, p.24). Funds are commonly directed to support families themselves or community projects. In addition, internal diaspora is increasingly important: individuals coming from other countries who seek to support their communities in their adopted countries (Center for Global Prosperity, 2007).

Are there trends emerging in regions?

Though evidence is patchy, there *is* some evidence of regional patterns.

Three of the strongest region trends largely show in the US and Canada (Giving USA, 2007; Merrill Lynch/Capgemini, 2007):

1. **Increasing use by the affluent of donor-advised funds.** Such funds allow individuals to grow a philanthropic investment tax-free and then recommend the timing, amount and recipient of subsequent distributions from the fund in order to maximize impact.

Assets held at four of the largest US commercial funds grew by 50% in 2005/06, from US\$3.26 billion in fiscal 2003 to US\$4.9 billion.

2. **Increasing use by the affluent of donor consulting firms** to facilitate philanthropic investments and to maximize social return on investment: leading firms increased their market penetration by more than 45% per year from 2002 to 2006.
3. **Increasing interest in venture philanthropy.** With the number of billionaires in North America estimated at 400 in 2000, up from just 13 in 1985, those with enormous fortunes have become drawn to new forms of philanthropy based on the same tenets underpinning their personal success (Wolfe, 2002), Venture philanthropists use the principles of venture capitalism in an attempt to more effectively address social issues.

Other cross-country similarities exist. For example, the overwhelming majority of charitable income in OECD countries including Australia comes from *individuals*: for example, in the US in 2006, it represents 83.3% of all private giving. Individual giving is also mainly derived – not from bequests but from the living. Sorting out the *differences* is more problematic, as noted earlier: data is largely voluntary and patchy, and survey methodologies differ widely, even for definitions of voluntary organisations and giving.

However, the World Wealth Report (Merrill Lynch/Capgemini, 2007) highlights two major *points of difference* in giving behaviour in different countries:

1. **Inclusion of philanthropy in portfolio.** The affluent in North America and the Asia-Pacific lead the way in seeking philanthropic allocations in their portfolios: some 13% of HNW individuals (with the equivalent of assets exceeding US\$1 million) in these regions do so, followed by 6-7% in Europe and the Middle East, and only 3% in Latin America, where philanthropy is less developed.

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This pattern also holds for Ultra-HNWIs (those with assets in excess of US\$30 million: 26% in North America and 16% in Asia-Pacific sought philanthropic allocations in their portfolios, compared with 10% of Ultra-HNWIs in Europe and the Middle East (Merrill Lynch/Capgemini, 2007). In Latin America, again only about 3% of Ultra-HNWIs do so. Whether Australia is representative of the Asia-Pacific region in this respect is unclear from this aggregated data. Anecdotal evidence, such as observations from a national private banking conference in May 2007, suggests that it lags its regional counterparts in philanthropic allocation.

2. **Levels of donation.** Affluent donors in the Asia-Pacific region lead the way, allocating a substantial 11.8% of their portfolios to philanthropic causes, followed by those in North America and the Middle East, with 7.6% and 7.7%, respectively. European HNW philanthropists allocated 4.6% of their wealth to charitable donations and Latin America, approximately 3%.

Turning now to studies of giving by OECD countries, the foremost recent study in this area is by the UK's Charities Aid Foundation (CAF, 2006) which seeks to compare charitable giving across 12 OECD countries that make up more than half the wealth of the total global economy. It finds:

1. **There is wide international variation in charitable giving**, ranging from 1.67% of GDP (US) to 0.14% (France) as the following table (Table 2) shows.
2. **Some countries show an inverse relationship between lower national giving levels (as a proportion of GDP) and higher levels of tax especially social insurance.** CAF suggests that social security contribution may be highly significant for some countries such as France and the Netherlands (and an influential factor for giving in other countries, too, including Australia). It warns of problems likely to arise for the voluntary sector if ageing populations push social insurance payments higher in the future.

TABLE 2: CHARITABLE GIVING IN 12 OECD COUNTRIES IN 2005

Countries	Individual giving (% of GDP)	Total tax take
USA	1.67	29.1
UK	0.73	33.5
Canada	0.72	31.6
Australia	0.69	28.3
South Africa	0.64	n/a
Rep of Ireland	0.47	25.7
Netherlands	0.45	38.6
Singapore	0.29	n/a
New Zealand	0.29	20.5
Turkey	0.23	42.7
Germany	0.22	51.8
France	0.14	50.1

Source: CAF 2006

3. **There is no direct relationship between average (per capita) incomes in the 12 OECD countries examined and overall giving levels.** The US, UK and Canada all have high levels of average wealth and high proportions of income given to charity, other countries like the Netherlands and France do not. Australia, like South Africa, is somewhat lower for average wealth (see *Table 2* above) but higher for proportions of total donations.

In its analysis, CAF emphasises the importance of *specific national contexts* in which giving occurs, identifying six main factors that combine to foster giving in varying degrees:

1. Governmental tax take from individuals (using the OECD definition of 'a compulsory, unrequited payment to general government');
2. Tax treatment of donations;
3. National wealth;
4. Religiosity;
5. Social norms including unofficial familial and social giving;

6. Meaning attached to charitable giving (cultural influences shape individual attitudes).

For example, in countries such as the Netherlands, France and Sweden, there is a strong belief that *governments* rather than charities should provide for social needs, whereas in the US, and increasingly in the UK, charities assume an important role in meeting the needs of socially excluded groups (CAF, 2006). This attitude emerges in Australian research, too, as Giving Australia (2005) shows.

Other comparative studies are limited in value for this report because they do not include Australia, or they focus on specific types of giving. For example, much research that has been conducted to date has focused on international giving by wealthier countries to aid developing ones, such as the Center for Global Development's Index of Donor Performance (Roodman, 2004), the Index of Global Philanthropy (Center for Global Prosperity, 2007) and the OECD's Development Assistance Committee website (www.oecd.org/dac).

While such studies are important for tracking trends in both private and government funding to international recipients, they only report on international giving, which is only one type of private giving. They also struggle for accuracy: in international giving, informal giving must be accounted for because of the dominance of giving by immigrants sending money to their home countries; this is compounded by great variations across countries in their capacity to collect data, the difficulty to account for differences in tax laws, and often intertwining of private giving and government figures (Catalogue of Philanthropy, 2006; Worldwatch, 2006).

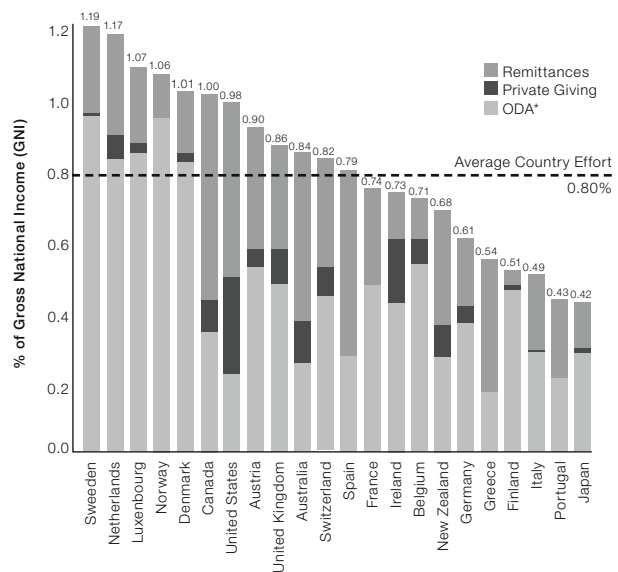
Nevertheless, existing research supports CAF's conclusion that wide variation exists in charitable giving by individuals in OECD countries, particularly for donor participation rates and giving as a percentage of GDP.

Worldwatch (2006), for example, identifies France, The Netherlands and Canada as relatively strong for charitable giving (though not as strong as

the US), well ahead of the UK and far ahead of Japan where it shows giving at negligible levels. This study points out that, in such comparisons, wealthier OECD nations tend to come out on top of such tables because their citizens are wealthier and more able to afford monetary donations than those in poorer countries; they also are more likely to do so through formal channels such as charities (making counting easier), and there are more resources within the country to collect data (Worldwatch, 2006).

While countries do vary in their spot in the giving leagues across studies, Australia commonly features around the mid-level (see, for example, Salamon, Sokolowski, & Associates, 2004 and Catalogue of Philanthropy, 2006). **Table 3** below shows Australia's ranking for OECD donor countries' assistance to developing countries. In this analysis, Australia's total level of international giving is just above the 0.80% average.

TABLE 3: OECD DONOR COUNTRIES ASSISTANCE TO DEVELOPING COUNTRIES 2005 (AS % OF GNI)



* Note: ODA, official development assistance, is from government.

Source: Center for Global Prosperity, 2007

INTERNATIONAL COMPARISONS

Overall, a review of international giving studies suggests that in contrast to Australia's relatively consistent ranking in charitable giving stakes (mid-level or just above), some other countries (such as France) fluctuate widely depending on what aspect of charitable giving is being measured or how. This supports an assessment that Australia's private giving behaviour is at a moderate to benign level across the population as a whole. However, apart from some outstanding exceptions, Australia's affluent are not demonstrating the same higher levels of giving that are being witnessed amongst this population globally despite drawing closer on wealth indicators (Merrill Lynch/Capgemini, 2007).

In sum, studies confirm wide variations in private giving across OECD countries. The US, with its stronger philanthropic culture and a wider and longer-established range of tax incentives to a broader class of organisations, leads the group. Indeed, the financial planning issue of death duties (estate tax) and the ability of US citizens to mitigate tax impact by making charitable donations (now undergoing changes) appear to have been a significant factor in the philanthropic landscape (Burrill, 2001). Changes to taxation have recently been made in Australia, the UK and elsewhere to foster philanthropy and more changes are being considered. It is too early to appreciate the impact these will have on individuals' interest in philanthropy and perceptions of their capacity to do so, especially by the affluent in these countries.

Finally, it is interesting to note that Australia tends to fall a little behind Canada (with one or two study exceptions) and the UK, but ahead of its sister country, New Zealand, in the charitable giving stakes. Despite becoming a more flexible economy through many structural reforms over the past two decades (and which the OECD notes are in line with its best practices), New Zealanders' living standards have consistently been below the OECD median (OECD, 2007). While the situation has been studied in depth, the reasons for this are still

not well understood (p.4). The NZ Government is under pressure to raise living standards as well as to consider how it will meet future likely demands on health and pension spending: encouraging philanthropy may be one such strategy.

3.4 HOW DOES GIVING BY THE AFFLUENT COMPARE?

Overall, studies commonly find that the affluent in OECD countries contribute at higher levels – in real terms and in their rates of participation – than those on average or low incomes. However, there is wide variation across countries in the percentage of income they give. CAF (2006) finds that:

'The level of wealth is generally a determinant of the absolute amount of money that people give: rich people give higher amounts than poor people, although wealth does not determine the proportion of income that people give away to charity and there is evidence in the UK that poorer people give away higher proportions of their income than the rich.' (p.12)

Indeed, in many countries studies show an *inverse* relationship between giving money and time (referred to as the J curve). Those in higher income bands tend to give money; those in lower ones tend to give time (Giving Australia, 2005). This pattern suggests the poor may give as much as the rich – although the actual dollar value of giving by the rich is higher – and that volunteering can be a giving strategy for those without financial capacity to give.

Thus poverty is not necessarily a deterrent to giving: it may simply modify its form. This is exemplified in South Africa (see Everatt et al., 2005) where a national random survey of 3,000 respondents showed they were *equally* likely to have given in the month prior to interview but the more affluent gave money while less affluent gave time. The way that questions are worded in giving surveys may neglect informal giving behaviour.

The preponderance for the affluent to donate at a higher level than those with lesser wealth is explained by their higher disposable incomes, and the accelerated increases in wealth seen amongst the affluent population over the past decade. Wealth has accumulated more quickly for the affluent than for those on lower incomes. Thus the question arises: *has charitable giving by the affluent kept pace with increases in personal wealth?* Generally, the answer is no with the US being the standout exception. In most cases, increases in giving by the affluent have been moderate while increases in wealth have been much stronger.

In assessing the extent to which affluent Australians give, we largely rely upon tax statistics which is not the entire story. However, like the US, such data can still be regarded as providing a credible picture for two main reasons. Firstly, the affluent strongly tend to use the services of professional advisers so deductions for giving are likely to show. Secondly, such figures are comprehensive across this income category and carry tangible penalties for inaccuracies, so distortions are somewhat controlled.

This said, there are pockets of philanthropy in Australia that are comparable with the giving rates of Europe and the US; these are largely donors with annual incomes in excess of \$1 million (almost 2% of their assessable income). By and large, and with some outstanding exceptions, Australia's affluent give at a lower rate than their OECD counterparts, in terms of contribution level but particularly participation rates. Table 4 shows this country's affluent giving 'blackspots'. In brief, a large slice of the affluent population in Australia give a similar *percentage of their income* than those on middle and low incomes, which is a mediocre performance compared to other OECD countries. Moreover, their *donor participation rate* is only marginally higher than those on middle and low incomes, also lower than some OECD countries.

TABLE 4: BLACKSPOTS IN GIVING BY AUSTRALIA'S AFFLUENT POPULATION

Taxable Income	Non Donor Rate (% of total affluent group not claiming charitable donations)	Donor Level (% taxable income claimed as donations)
Upper (\$1m+)	Almost 30%	–
Mid (\$500k+)	Almost 40%	0.78%
Lower (\$100k+)	Over 40%	0.45%

Source: Developed for this report drawing on ATO tax statistics for 2005-06

Discussion: What can be said about these giving patterns?

There is little doubt that the US leads the world for its philanthropy; not only Australia but every country comes well behind it in the giving stakes (Catalogue of Philanthropy, 2006). Of course, the US has the strongest history of philanthropy as we know it (AWID and Just Associates, 2006, p.55):

[Philanthropy is much more embedded into the fabric of its society] than in Western European countries, Canada or Australia where historically governments have taken more social responsibility (citizens have the sense that "I pay taxes for a purpose") both inside their countries and in relation to the global South (development cooperation). However this is changing and [people in these countries] are increasingly responding to donation requests, although still at lower levels than people in the US.

Also donations have played a larger role in the revenue base of the US nonprofit sector than in many countries (although this role is changing in various countries, including Australia), as the following revenue breakdown for 1995 shows.

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**TABLE 5 : REVENUE STRUCTURE OF THE
NONPROFIT SECTOR IN 1995
(EXPRESSED AS % OF TOTAL REVENUE)**

Country	Public Sector	Donations	Private fees & charges
Australia	30	9	61
UK	47	9	45
USA.	31	13	57
Average	36	10	54

Source: Compiled from figures provided by Johns Hopkins Comparative Nonprofit Sector Project (<http://www.jhu.edu/~cnp/country.html> accessed 27 April 2004)

Overall, like countries such as Canada and the UK, giving by individuals in Australia is influenced by one's personal income, with the greater one's wealth, the more likely one is to give and the higher the annual gift. Moreover, income overlays other key factors including education, gender, labour force status, and place of residence (UK Giving, 2006). However, affluent Australians vary widely as to *how much more* they give than the average donor. Those in the mid and lower affluent income segments (with annual taxable incomes between \$100,000 and \$1 million) give at substantially lower levels than the top affluent income segment – not only in absolute terms, which is to be expected but also as donations expressed as percentage of taxable income. That is, evidence exists that *average* donating patterns for the affluent camouflage substantial troughs in affluent giving behaviour, that is, some affluent Australians appear to give at low levels.

The other aspect of 'higher giving' relates to the proportion of the population who give. In Australia, while the Giving Australia study showed that the affluent were more likely to give than those on lower incomes (2005), some four out of ten individuals with incomes between \$100,000 and \$1 million did not claim for any tax-deductible donations in 2004-05 (McGregor-Lowndes & Newton, 2007). This suggests there is still a *sizeable* proportion of the affluent who do not give at all. Certainly, indications are that affluent donor participation rates are higher in other OECD countries such as the US and the UK.

Also while the affluent in OECD countries might give at higher levels than those with less financial capacity, one issue to consider is whether their charitable donations are appropriate to levels of affluence that now exist, the highest on record. Indeed, what changes might we expect as personal wealth levels continue to grow quickly and more join the ranks of the wealthy in many countries? In the US, for example, where the culture promotes philanthropy, the wealthiest one percent of Americans own 41% of the country's wealth but donors in this group allocate only 1-2% of their incomes each year to charity (Business Week, 2004). In the UK and Australia, the affluent also give at relatively low levels (Asia Pacific Centre for Philanthropy and Social Investment, 2004, 2005; Blackhurst, 2005). Walker and Pharoah (2002) point out that the poorest 10% of the UK population give 3% of their household expenditure to charity, on average, while the richest 20% give just 0.7%.

In terms of wealth transfer, the affluent across various countries, including Australia, are still highly focused on benefiting their children who may be wealthy in their own right by the time they inherit. For example, 91% of a 2006 study of the wealthiest 1% of the US population reported having a will and 80% had a formal estate plan (U.S. Trust, 2006). Just over 90% of this group expect to leave significant estates (93%), with approximately one third (32%) expecting their estate to be valued at US\$10 million or more, 31% expecting it to be US\$5 million to US\$10 million, and 30% to be less than US\$5 million.

Of the group with the largest expected estates, almost one third (10% overall) expect to leave more than US\$25 million. Of their estates, more than three quarters (83%) expect to leave the majority of their estates to their spouses and, if their spouse pre-deceases them, to their children (74%), to charity (9%), grandchildren (6%) and other relatives (6%). Some 58% are concerned that high taxes will whittle away their estates and many have taken tax-saving measures to minimise this risk: trusts (67%), giving money away (55%), life insurance to pay taxes (48%) and foundations (18%). In the US (where individuals still benefit from tax incentives

for charitable bequests), only 46% of the wealthiest 1% of the population planned to leave at least part of their estate to NPOs (U.S. Trust, 2006).

Conclusion. Giving by the affluent in Australia is largely nascent although change is starting to occur at the top level (see examples of outstanding generosity on Philanthropy Australia website (www.philanthropy.org.au)). Currently, our affluent are not engaging in higher levels of giving being seen in other OECD countries. Two key factors encouraging greater giving behaviour by wealthy Australians are rising wealth (not only for the number of affluent but also in the concentration of assets being held) and rising interest in philanthropy by the HNW population globally. Socio-cultural factors on the other hand appear to dampen take-up of philanthropy in Australia by our wealthier segment.

4

DYNAMICS UNDERPINNING GIVING BY THE AFFLUENT

Given the serious financial challenges of the nonprofit (NP) sector and the vital income stream that giving by individuals represents, it is surprising that the dynamics of private giving especially by the affluent, has attracted only modest attention by researchers. Relatively few academics understand or use the term 'philanthropy' (Katz, 1999) and the area has attracted relatively little academic interest (Supphellen & Nelson, 2001; Everatt et al., 2005). Studies relating to giving exist mainly in the fields of marketing (such as developing NP brands, identifying donor segments and improving fundraising strategies) and sociology and psychology such as explaining helping behaviour and altruism. As Supphellen and Nelson (2001) point out, much of this effort has concentrated on testing hypothesised relationships rather than seeking to discover new connections and explanations, thus by-passing some basic questions about giving behaviour. Just as in consumer studies, studies can wrongly assume how individuals approach giving (for example, by assuming that people give full attention to a donation request, in isolation from other environmental stimuli), so findings are distorted.

The underdeveloped nature of knowledge about philanthropy is puzzling in the face of increasing professionalism in the fields of fundraising and grant-making globally, and calls for more research in this area (Fisher, 1986; Griffin, Babin, Attaway & Darden, 1993). In particular, better understanding is needed of the incentives and barriers to engage in giving for the wealthy (Cermak, File & Prince, 1994; Taylor, Webb, & Cameron, 2007). This need is strongest outside the US where much of the existing research has centred. Perhaps this state of affairs can be explained by relatively low interest by policymakers and by foundations which commonly shy away from supporting such research despite its potential to aid best practice in the NP sector. Key stakeholders may also hold reservations about philanthropy itself, associating it with notions of elitism and outmoded ideas of charity (Everatt et al., 2005):

[Such] connotations [represent] a grave misconception [for two reasons]...first...this understanding... is too narrow and precludes an

appreciation of the distinctive contribution they make to the life of the society. Second it focuses on the act and ignores the impulse – the private assumption of public responsibilities – thus missing critical questions about the nature and direction of development...at base, this relates to the role of government versus the socially conscious actions of individuals, communities and the greater society (p.282)

If charities are to target not only the wealthy elite but also the mass affluent, they will need to understand the giving habits of these groups including the process they go through to arrive at their level of giving (The Giving Campaign, 2004).

4.1 WHO GIVES?

Cermak et al. (1994) suggest that most academic attention has been given to determining *donor characteristics* for giving at different levels (Danko & Stanley, 1986; Ryan & Murdock, 1986). These studies focus on 'who gives what', linking donating behaviour to socio-demographic factors on one hand (such as age, education, marital status and family circumstances, life experiences, religious involvement and volunteering behaviour) and individual factors, on the other (such as personality, or feelings of financial security). Affluent donors were found to cluster around seven 'profiles' in comprehensive US research by Prince and File (1994):

1. **Communitarians**, often business owners, who are strongly community-focused and the desire to help their community;
2. **The Devout**, who are religiously motivated and like to support a variety of causes including churches, synagogues etc;
3. **Investors**, who want to see a better society and are influenced strongly by financial considerations;
4. **Socialites**, who are influenced by their milieu and peers;
5. **Repayers**, who act out of a desire to fulfil a perceived obligation to others and direct energies mainly to health and educational areas;

6. **Altruists**, who give because it is personally satisfying; and
7. **Dynasts**, who have learned from family and others to be charitable.

Recent research by Ipsos Mori for the HM Revenue & Customs also found it useful to use the following 'types' of wealthy UK individual, based on giving commitment, frequency and level of gift, and around which personal characteristics can be clustered (Taylor et al., 2007):

- Large committed donors;
- Large ad-hoc donors;
- Small committed donors;
- Infrequent donors; and
- Non-donors.

Overall, the literature suggests five key factors increasing the propensity of individuals to make donations, as well as to donate at higher levels (Bekkers, 2005; Bekkers & Wiepking, 2007):

1. higher income;
2. older;
3. higher level of education;
4. marriage; and
5. stronger religious involvement.

The last is often suggested as a primary motivator for giving, with references to the US (for example, see Giving Australia, 2005; Lyons and Nivison-Smith, 2006; Statistics Canada, 2006) but the relationship is complex and religion does not provide adequate explanation by itself for variations in giving. Comparing countries, Charities Aid Foundation finds that religious-related giving is substantial, accounting for over one-third of giving in the US, for example, and around 13% in the UK. However, if it is excluded from the giving figures, the US still outstrips the UK by about 0.4% of its share of GDP (CAF, 2006).

Of particular interest in this analysis is financial capacity. A range of studies have shown a direct

correlation between wealth/income level and giving level. Indeed, Bekkers and Wiepking (2007) identify more than 75 studies in different countries showing higher giving amounts by higher income households. Patterns in giving as a percentage of income are somewhat more variable, with results dependent upon type of data and statistical models used. Factors such as source of income can also be important (Daneshvary & Luksetich, 1997). While there is evidence that those who make major gifts tend to be financially successful or have built up assets over the course of a lifetime and feel financially secure (Schervish & Havens, 2001, 2002), much remains unclear at this time.

4.2 WHY PEOPLE GIVE

Who gives what is a different question to *why* people give. While they are related issues, they are commonly confused in discussions of philanthropy. In seeking to explain giving, studies can investigate factors at the personal level, at the family and immediate circle level, at the local community level, or at the wider socio-cultural level, as **Table 6** illustrates.

Individual level. Various studies show the power of internal factors. For example, the personal values held by an individual can trigger charitable behaviour (Schervish, 2006). Other internal needs may also prompt giving such as the desire for self-esteem, for personal satisfaction, or to make amends for one's actions (Piliavin, Piliavin & Rodin, 1975; Schwartz, 1967).

Family/small group level. Individuals may engage in charitable behaviour to protect themselves or their family, or to fulfil their roles within intimate groups (Clary and Snyder, 1995). For example, giving can be motivated by the wish to teach children values or to honour or remember loved ones (Giving Australia, 2005),

Community level. Organised affiliations with others and sharing systems of belief and ways of seeing the world can trigger giving. For example, in South Africa religion is a driving force in 'inspiring and organizing' giving (Everatt et al., 2005, p. 290): the same might also be said of

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TABLE 6: A FRAMEWORK TO CLASSIFY MOTIVATIONS TO GIVE, OR NOT

Level	Factors	Examples of processes at play
Individual factors	Personal values and goals, individual passions, unique accumulation of life experiences – factors that relate to internal feelings and attitudes, needs, desires, states etc	Drive for survival, drive for meaning and purpose, drive for self expression, drive for integration or congruence of personal cognitions, emotions and behaviour
Family/ small group factors	Shared values and goals, family or small group traditions – factors that relate to one’s intimates	Desire to fulfil family role, desire to love and be loved, desire for acceptance and support among intimates, desire for protection and safety
Community factors	Affiliations: local community, religious, ethnic, business, professional, educational, sporting and personal interests – factors that relate to social networks	Desire to be part of a group/tribe, desire to contribute, desire to be successful, desire for peer acknowledgement and respect
Societal factors	Wider cultural values, mores and norms, legal and taxation system, system for earning and spending money – factors that relate to one’s wider environment	Engaging in social learning and conditioning, desire for social rewards, desire for understanding the world

some other countries where identification with particular religions is high such as the US. As well, psychosocial motives – to gain recognition, status, prestige, and respect in the community – can underpin giving (Olson, 1965; Becker, 1974; Wright 2001). Clary and Snyder (1995) add career reasons to some forms of giving.

Societal level. Seeing the world through a particular socio-cultural lens can trigger giving, or constrain it (Clary and Snyder, 1995). Individuals may not be familiar with philanthropy or see the need for it. Also the larger socio-economic environment and its complex web of laws and taxes represent a system of rewards or advantage for certain behaviours by individuals.

The interplay of motivations – and of constraints to giving – that span different levels can be complex especially for the affluent who have more giving capacity (see, for example, Boris, 1987; Prince & File, 1994; Ostrower, 1995; Schervish, 2005). Motives for giving may, for example, vary from situation to situation, as well as over time.

As well, for a range of reasons, some levels of research are preferred, leaving some types of influences only vaguely understood. One area not subject to much scrutiny to date, particularly in Australia, is the wider societal level where

factors such as cultural values, social norms and expectations, media coverage and taxation impact on philanthropic decisions by individuals. The field of social marketing, for example, which considers individual behaviour in a wider social infrastructure and how change can be effected, largely addresses issues of harm in society, not philanthropy, thus limiting academic dialogue and scholarly attention. Signs that this may be changing will be welcomed by those interested in seeing philanthropy increase because giving may not be purely voluntary. Everatt et al.’s 2005 study of South African givers highlights the importance of giving that is ‘conditioned by patterns of obligation’ (p.290):

A significant proportion of the...population is socially organized around the extended family with the result that their patterns of familial obligation and reciprocity extend well beyond the nuclear family unit.

Giving standards or normative behaviour within broad segments of the population such as the affluent is worthy of greater investigation (see, for example, Wiepking, 2007).

Sargeant and Jay (2004) include this aspect in their list of key motivations for giving by individuals generally (pps. 29-33):

1. **Self-interest** including a desire for self-esteem, atonement for 'sins', recognition, memorialising loved ones and tax benefit;
2. **Empathy** or giving out of distress for the suffering endured by others, up to a point that the distress experienced is manageable, not overwhelming;
3. **Sympathy** or the belief that it is inappropriate for the beneficiaries to be suffering in the way they are perceived to be;
4. **Social justice** whereby an individual gives to help restore justice to a situation perceived as unjust; and
5. **Conformity to social norms** whereby individuals give out of a desire to act appropriately, in agreement to social norms and to do what others are doing.

In Australia, the ABS Voluntary Work Survey for March to July 2006 (ABS, 2006b) suggests that concern for others' basic welfare needs, be they at home or abroad, is the greatest incentive for Australians to give money donations. This aligns with international reports that private giving is largely in response to natural disasters and tragedies. Aid for the victims of the Asian tsunami in late 2004 mobilised donations from individuals exceeding \$1 billion from around the world (AWID, 2006). Emergency events that have triggered waves of support nationally and internationally include Hurricane Katrina in the US (2005), earthquakes in Japan (1995) and Mexico (1985) and the terrorism attacks in the US, Bali, the UK and elsewhere post-2000. Such giving is likely to spring from empathy, sympathy or a sense of social justice, using the above categories.

After concern for basic welfare, involvement with religious organisations – which often have established practices of regular giving by members and adherents – is suggested as the next most common reason for Australians to give (ABS, 2006b). Lyons and Nivison-Smith (2006), examining Giving Australia statistics, emphasise the strong positive correlation between regular

attendance at religious services and frequency and level of giving (rather than merely claiming religious affiliation) but they also warn against assuming a direct causal relationship (p.434). Also, it is difficult to identify the most likely motivations from Sargeant and Jay's list because any of the five may drive giving by those affiliated with religious organisations. Moreover, CAF (2006) suggests that religious giving alone is insufficient by itself to explain variations in giving levels. Comparing differences between countries, CAF notes that religious giving is substantial (over one-third of giving in the US and around 13% in the UK) but if it is excluded from the giving figures, the US still outstrips the UK by about 0.4% of its share of GDP. CAF suggests that other factors, such as cultural and political differences, must be considered.

Much donor motivation research has been conducted in the US relating to bequests literature⁵. Findings from one large recent study (2000 households across four regions) give further credence to the two motivations for charitable giving mentioned above – helping others and religious beliefs – as well as a third: giving back to society (Krauser 2007). Giving Australia (2005) also found this third motivator of 'giving back' resonated with many Australians, particularly older and more affluent individuals.

Another US study of 1579 individuals into the motivations for planned giving more generally, suggests the following *two main reasons* for such gifts (Dame Greene, 2003):

- Belief in the NPO and the desire to support it (nominated by 97%); and
- Support for the ultimate use of the gift (82%)

That is, donors were convinced, themselves, of the worthiness of the organisation and how their gift would be used. Other motivators were important but less so:

- desire to reduce taxes (nominated by 35%)
- long-range estate and financial planning issues (35%)
- create a lasting memorial for self or loved one (33%)

⁵ This bequest focus can be explained by the legal and tax system in the US, where an estate tax was created in 1917 to help fund World War 1 (Sargeant, 2006, unpublished literature review on bequests). This tax is currently in the process of being removed, prompting a flurry of analyses and projections about the impact of such a move on this type of giving.

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- relationship with a representative of a charity (21%).

Other studies support the importance for individuals of being personally convinced that a cause is worthy of support – of believing in a cause – as well as having compassion for those in need (see, for example, Lasby & McIver, 2004 and Statistics Canada, 2006).

One aspect of motivational research that has captured the imagination of many researchers is the question of whether donors ever give for purely altruistic reasons. Some (particularly economists) argue that a utility exists in all behaviour including giving – with those of a traditional view suggesting that donors make rational decisions about donations based on anticipated benefits and more modern views suggesting emotional benefits. In contrast, others (including fundraisers) point to situations where no obvious benefit accrues to the donor especially when giving is anonymous (Sargeant & Jay, 2004).

What emerges from the literature is that motivations are commonly mixed and can change.

4.3 MOTIVATIONS FOR GIVING BY THE AFFLUENT

In many respects, the affluent cohort give – or don't give – for the same reasons as do those on lesser income (Taylor et al, 2007). However, giving large amounts can bring in extra issues; with more at stake, there may be more donor involvement, higher expectations, and more motivations at work.

One early study of wealthy individuals and private foundation staff in the US found philanthropic motives for establishing a private foundation and giving to charitable causes to reflect cultural and philosophical differences such as religious heritage, personal philosophy, sense of social responsibility, political beliefs, peer pressure and egoism (Boris, 1987). More recently, Schervish and Havens (2001) have concluded from various studies with the wealthy, in the US, that a wide range of factors play a role in motivating major giving by the wealthy especially (Schervish and Havens, 2002):

- Desire for the happiness that comes from caring for, or about, others;
- Desire to help others like themselves or their spouse, their parents, their siblings or their children, that is, they give out of identification with beneficiaries;
- Feeling grateful for their good fortune and wishing to give back and perhaps share their good fortune with others;
- Desire to apply their entrepreneurial orientation to the philanthropic sphere, perceiving their contribution will help improve outcomes; and
- Desire to look beyond their material success to find a more positive personal values, meaning or morality in life for themselves and their children.

The first two motivations are widely shared by donors generally; the last three may apply more specifically to the affluent. This is partially confirmed by the latest World Wealth Report (Merrill Lynch/Capgemini, 2007) that suggests that feeling prosperous and fortunate can inspire the affluent to want to give back to society, not just in the US but globally. They report that a sense of social responsibility is a primary motivation for some 60% of philanthropists in Europe and Asia, and 47% in North America. In the Middle East, evidence exists that a combination of social responsibility and religious obligation drives giving. Such a motivation may be particularly relevant to those who have made their money rather than inherited it. Researchers at the Center on Philanthropy at Indiana University also find 'giving back to society' resonates strongly with affluent donors; it also spotlights entrepreneurs as particularly generous, offering support for the potential link between philanthropy and those with entrepreneurial orientation (Center on Philanthropy, 2006). They cite two additional key motivations for the affluent: meeting critical needs and social reciprocity (the feeling that those who have more should help those with less). Other motivations such as the desire to limit funds to heirs, leave a legacy, and social networking benefits, were all less important (p.4).

Both Australian and UK research offer similar affluent donor profiles. Giving Australia's (2005) qualitative research emphasised the desire by some wealthy individuals to give back to society and to do something worthwhile beyond making or spending money. In that study, a common thread in the responses of the affluent who were engaged in giving was that they sought to apply their entrepreneurial skills to address the causes of social problems rather than help alleviate their symptoms (Madden, 2006a). In the UK, 'duty and responsibility' arising from one's privileged situation is a key motivation for the wealthy to give as is 'being a catalyst for change' (entrepreneurial input) and 'self-actualisation' (personal satisfaction or growth) (Lloyd, 2005). Both the UK and Australian studies suggest that some affluent donors are motivated, in part, by social benefits experienced such as satisfying interactions with charity staff, beneficiaries or fellow donors.

One additional motivation – and one of the most common – for the affluent to give wherever they reside is passion for a cause (or, related to this, a strong belief in the worthiness of a NPO and its mission) (Lloyd, 2005; Madden, 2006a; Taylor et al, 2007).

For some time, researchers have puzzled over how best to understand the mixed bag of motivations seeming to drive giving by the affluent. For example Cermak, File and Prince (1994) suggest eight main categories of motivating factors:

- **Family tradition** – where there was a strong sense of personal obligation and expectation resting on family and/or spiritual foundation;
- **Being a beneficiary** – either direct or indirect, of the nonprofit organisation's services who admire the services provided;
- **Social affiliation** – reflecting the social connections a donor has to a nonprofit organisation or cause through their network of friends or business associates;
- **Orientation of the nonprofit** – reflecting the general worthiness of the cause, its good work, and having goals consistent with the donor;
- **Humanitarianism** – reflecting concern for assisting many causes helping the poor and needy, and linking the nonprofit work with donor's spiritual reasons;
- **Tax advantages** – where tax mitigation is a key factor;
- **Communitarianism** – reflecting a concern for the community, and linking the nonprofit's activities in the local community and the donor's ties such as business ties;
- **Being needed** – reflecting a belief that the charity needs what the donor can give.

Again, these overlap somewhat with motivations for donors generally. To focus their findings, Cermak, File and Prince (1994) then went onto to cluster these motivations into four distinct types of affluent donor (p. 125):

1. **Affiliators** (44% of study participants), tend to be under 65 years and strongly motivated by a combination of social and humanitarian factors;
2. **Pragmatists** (27%), a little older and less educated, on average, strongly motivated by tax advantages;
3. **Repayers** (17%), tend to give as a result of events in their life (or those close to them), strongly motivated by having benefited from the NPO to which they give; and
4. **Dynasts** (14%), include many of those with inherited wealth, strongly motivated by family tradition.

Stone and McElwee's (2004) study of affluent Californians reminds us while that affluent donors may be classified along such lines (that is, with a dominant motivation), there is usually a combination of both egoistic and altruistic motives at play. For example, they found three types of personal benefit (ego-related motivators) that played a part even for the most altruistic giver:

- finding personal satisfaction or adding a new dimension to their lives;

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- engaging with/bonding with their children through philanthropy, and teaching their children about philanthropy;
- connecting with like-minded others to make a difference to the community.

They also suggest that tax benefits can be highly potent motivators for the affluent but, again, one needs to look for a mix of motivations as tax benefits were insufficient by themselves to trigger giving. Their findings fit well with qualitative research undertaken in Australia (Giving Australia, 2005).

In terms of childhood experiences and subsequent giving behaviour, Hodgkinson and Weitzman (1996) found that 73.6% of adults who recalled seeing someone in their family help others were currently making donations to charitable causes, compared to only 50% of those who do not recall such episodes. However, data from the Center on Philanthropy Panel Study (Yoshioka and Brown, 2003) suggest that the relationship between the religious giving of parents and children is much stronger than that of their non-religious giving, although causality has not been proven (Steinberg & Wilhelm, 2003).

In a study of 130 US millionaires, Schervish (1995) identifies five main factors in whether or not children of wealthy parents have a philanthropic orientation:

- (1) historical forces;
- (2) parental transfer of an achievement ethic and family economic style;
- (3) parental role modelling of money and philanthropy;
- (4) institutional training in philanthropy, and
- (5) parental teaching of frameworks of morality about money and giving.

As to how the source of income influences giving behaviour (that is, whether inherited wealth has a different impact on giving behaviour compared to wealth that is accumulated in other ways

such as labour or capital), Yoshioka and Brown (2003) suggest that non-inherited wealth has a much larger effect on giving than inherited wealth (Steinberg & Wilhelm, 2003). It appears that children may be about 3.2 times less generous with the money they receive than were their parents prior to death, however this effect may be mitigated the longer the wealth is held (Steinberg & Wilhelm, 2003, p. 18). Ostrower's (1995) study of 98 wealthy New York donors suggests that individuals with inherited money feel obliged to keep it in the family; consider what might be expected of them in using it; and experience emotions not shared by those who have created their own wealth.

Religion, too, provides a powerful framework for giving by families and groups, encouraging certain types of giving, such as what is to be given and to whom (Steinberg & Wilhelm, 2003).

In the US at least, more than four out of five high net worth households say they wish to do more financially for the NP community (Prince, 2000). In the UK a study by The Giving Campaign (2004) showed a widespread desire by donors, including the wealthy, to contribute to the improvement of people's lives through financial gifts.

4.4 BARRIERS TO GIVING FOR THE AFFLUENT

CPNS research suggests that no one – affluent or not – identify as being non-givers: everyone perceives himself or herself as a person who gives to others, although not necessarily by donating to formal charities. Even when such donations are discussed, few report making no donations at all (and when this does occur it is normally due to a deliberate contrarian stance). Moreover, those who report giving at low levels perceive this as a result of competing calls on their cash flow at that point in time (although they may not hold firm expectations that their donations will increase as circumstances change).

Both affluent and lower income Australians commonly see themselves as giving what they can, with only those on lower incomes expressing

discomfort at their level of contribution. Thus, identifying 'barriers' to giving can, to some extent, be an artifice in research that does not translate to how individuals perceive their reality.

External factors such as government, taxes, legislation, and perceived NP wastage, are more commonly raised as constraints to their giving than factors pertaining to the individual concerned. This is especially likely when researching the affluent who are likely to have superior access to resources and thus the capacity to solve problems that they wish to solve. Feeling personally constrained does not necessarily sit well with this group. Also, the social desirability of giving may contribute to the reporting of external rather than internal barriers. In any case, research findings can be biased towards certain types of external barriers.

Findings from CPNS' investigation of Australian financial advisers to the affluent illustrate this point (Madden, 2007). These advisers largely believed that philanthropy was highly unlikely to be 'on the radar' of many of their affluent clients. Rather than see personal barriers to giving, philanthropy itself was seen as irrelevant to the larger part of their client base.

In terms of personal barriers, a standout one that has emerged in research with the affluent both here in Australia and overseas is the belief by many that they cannot afford to give at a high level. This has two aspects: the perception that one needs to be super-wealthy to be philanthropic (for example, the level of assets needed to establish a Prescribed Private Fund) and the worry that they may not have enough to meet their needs, or those of their families, into the future. While there is not much direct empirical evidence on how the affluent view the 'cost' of engaging in various philanthropic options, there is much more data on attitudes to wealth and financial insecurity.

The US Trust survey of affluent Americans (2006) reports that the single greatest worry of the wealthiest 1% of Americans⁶ is that the next generation will have a more difficult time financially than they themselves had (a concern to 83%). Two thirds or more also worry about terrorism's

effect on the economy and securities market (77%), stock market gains will be lower than in recent years (69%) and inflation will eat away at the value of personal investments (67%). These concerns exist despite more than nine out of ten reporting that their investment portfolios had increased in value over the year (91%). In Australia, too, there are signs that the affluent do not feel particularly affluent. For example, despite 6.4% of all adult Australians believing they were in the lowest income bracket, *only* 0.7% think they are in the highest, with a massive 93% saying they were in the middle income category (Healey, 2007). Moreover, not only do 'nearly two-thirds of Australians say they do not have enough money to buy what they really need [but] 46% of the richest 20% of Australian households believe they cannot afford everything they need' (p.3). Professional advisers also report that their wealthier clients frequently underestimate their own level of wealth, sometimes considerably so, and advisers see this misperception as a barrier to giving (Madden, 2004, 2006b).

Related to this is *ambiguity around wealth transfer* within families, which may put philanthropy to the back burner. The World Wealth Report warns that many affluent individuals in Australia and elsewhere have not yet sorted out succession and legacy issues: it estimates 12,000 Australians in the middle-tier HNW wealth band (those with assets of between \$5 million to \$30 million) are largely unsettled on these questions (Merrill Lynch/Capgemini 2006). In the US, the US Trust research (2006) shows the following concerns about wealth transfer: 29% of wealthy families believe inheritance will undermine their offspring's initiative and self-reliance, 22% believe their offspring will squander these assets, 18% that family members will fight over assets and 18% that the spouse would remarry, with children losing their intended inheritance. Feeding into the reluctance by some affluent to plan their estates is that individuals, regardless of income, do not want to die nor think about it. The baby boomer generation, in particular, has shown keenness to think of itself as young and living on, so perhaps it is not surprising that estate planning is an issue nor that NPOs find it a challenge to encourage charitable bequests.

⁶ This group comprises those who have either an annual adjusted gross household income of more than \$300,000 or a net worth greater than \$5.9 million (U.S. Trust, 2006).

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In terms of external barriers, research from the US and the UK suggests that reliable advice about giving well is lacking, and that having little or no guidance about an appropriate level of giving is a constraint. Weems (2002) reported on one US study that found affluent individuals who want to make gifts to charities did not always know how best to do so. Also, despite having a desire to engage in philanthropic giving, some affluent individuals did not want to jeopardise their own financial situation and lifestyle in doing so (Prince, 2000). Prince predicts growing complexity in the financial environment regarding assets and options for tax treatment and increasing client demand for 'the most financially congenial contribution strategy' (p.23). More recently, wealthy Californian donors revealed an unsatisfied need for information about all charitable options, clear explanations of these options, and advice that suited their circumstances (Stone & McElwee, 2004). While many believe aggressive promotion of philanthropy is inappropriate, affluent clients want better assistance with their philanthropic needs (Johnson, 2004; Stone & McElwee, 2004). A similar finding comes out of the UK where a study of charity financial products showed a need for financial advice concerning philanthropy (The Giving Campaign, 2003). Recent CPNS research with financial advisers confirms a similar set of barriers to giving for the affluent in Australia, as perceived by this professional group (Madden, 2007).

This apparent lack of informed assistance from financial advisers or other sources supports several studies in the US, the UK and Australia that show financial advisers to be extremely reluctant to discuss a client's philanthropic giving unless specific advice was sought by clients (The Giving Campaign, 2001; Johnson, 2004; Madden, 2006b & 2007). Moreover, when they do, they can lack knowledge of charitable vehicles and the nonprofit sector generally and commonly will take an extremely cautious approach, recommending the same one or two giving methods regardless of client needs. While advisers are now moving to offer services in this area, some evidence exists that Australia lags the US and the UK in this regard. Overall, there appears to be unrealised potential for advisers to provide more comprehensive and strategic services in philanthropic planning.

Turning to obstacles that NPOs can do something about it in a direct sense, a new survey of affluent Americans by researchers at the Center on Philanthropy at Indiana University (2007) finds two NP issues reported as limiting donations:

1. perceived waste and inefficiency from NP administration; and
2. perceived lack of measurement and reporting on the impact of their work.

These concerns can substantially lower confidence in the work of the NP sector by potential donors. Indeed, concern about waste and inefficiency or the perception of such was a 'headline' finding from the Giving Australia (2005) project as well. Qualitative findings from Giving Australia spotlighted the desire by affluent individuals, in particular, for NPOs to demonstrate a concern, as held by businesses, for reducing waste, and improving efficiency and outcomes (Madden and Scaife, 2005). Participants commonly referred to media stories exposing extreme examples of NP administration costs (such as high salaries for CEOs and other 'perks' of management; indeed, they wanted NPOs to have minimal operational costs (Giving Australia, 2005).

This illustrates the paradox that exists in Australia: many potential donors say that they would give more to NPOs if these organisations were more transparent, more efficient, and better at communicating their outcomes; yet they want to give *only* if their donation is to be spent on programs not administration (that would enable NPOs to meet donor demands) (Giving Australia, 2005; Madden & Scaife, 2005). CPNS' financial adviser research also confirms the existence of this myth: that transparency, efficiency, measuring outcomes do not come at a cost to NPOs (Madden, 2007). Despite media stories suggesting that NPO wastefulness is a problem, the NP sector generally operates on very low overheads, with few paid staff; greater investment in infrastructure may deliver highly desirable gains over time (Giving Australia, 2005). However, public education is needed to demonstrate that administrative costs will be incurred by NPOs if they are to meet future community needs efficiently and effectively (O'Donoghue, McGregor-Lowndes & Lyons, 2006).

4.5 THE DONOR DECISION-MAKING PROCESS

The decision-making process for individuals to donate at higher levels – or not – is multi-faceted and not completely understood with the research that has been conducted. Given the aim of this report, this section will merely spotlight the range of factors that shape that decision. It also seeks to flag the importance of understanding the individual's own perspective and the socio-environmental factors that mould his or her philanthropic orientation over time. These are vital considerations if efforts to increase philanthropy are to be effective (see Section 5).

Decision-making about giving is similar to the consumer decision-making process for the purchase of intangible goods or services: both are more complicated than decision-making about the purchase of tangible products as marketing books explain. However, the donor decision-making process adds yet another layer of complexity for researchers to understand because it is a third party – the ultimate beneficiary of the NPO's services – that *directly* benefits from the donation so the 'purchaser', while arguably indirectly benefiting from the donation, is separate to the 'consumer' of the good purchased. As a result, given limited academic work in this area upon which to build and time/budget constraints that characterise much of this research, tight boundaries are commonly drawn around aspects of the giving process. Thus research tends to tell us about a slice of the phenomenon rather than a holistic process occurring over time and involving various stages.

The following factors all influence the decision to donate at higher levels:

1. Being *directly asked* to give (Lloyd, 2005);
2. The level of familiarity and trust between the person asking and being asked (Sargeant and Lee, 2004);
3. The perceived size of the gift: the 'smaller' the perceived cost of making the gift, the more likely it will be made (Clotfelter, 1985);
4. Closeness to a cause or a NPO. Volunteering, in particular, but also active membership and making previous donations bonds a potential donor to a cause or NPO (Giving Australia 2005; Centre on Philanthropy, 2006);
5. Being personally receptive to a request (Supphellen & Nelson, 2001);
6. Norms to which the individual subscribes (Cicirelli, 1998; Warburton & Terry, 2000);
7. Religious, cultural and political context (CAF, 2006).

The process broadly comprises several stages and in its most simplified form unfolds as follows. Firstly, and prior to the request, the potential donor develops an *orientation* to giving or not. Silberg (1990) identifies the following nine factors that are commonly found in affluent individuals who donate large gifts to charitable organisations. Such factors can help to orient, or predispose, an individual to higher level giving:

- has a history of involvement with religious institutions;
- has family involvement in giving;
- has a philosophy of shared wealth;
- sees giving as a way of life;
- has had success in business;
- has large amounts of discretionary income;
- seeks to solve social problems;
- involved in a NPO and its decision-making; and
- wants to associate with leaders.

In the UK, The Giving Campaign (2004) also found the following factors important for the 'mass affluent' – those in the top 20% of the population for household income – in determining the level of their donations:

1. the charity's 'ask' (which was assumed to be for what it needed);
2. finding a level of gift that feels 'comfortable';

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3. perceived capacity to donate at that specific point in time, taking into account their financial situation overall;
4. the desire to 'do good';
5. the desire to 'make a difference';
6. identification with a cause or NPO;
7. confidence that a cause or NPO can make a positive difference;
8. confidence that a NPO is concentrating on its core mission and that funds are being spent appropriately; and
9. external guidance and support in suggesting an appropriate level of giving.

Secondly, the individual recognises a request or need and approves of it being made, that is, they

'let down their guard' to actually hear a request for support. Thirdly, he or she assesses the donation opportunity and either makes a donation or not, or chooses to wait to make a decision. Finally, the decision to donate or not is assessed.

Table 7 illustrates the broad fabric of elements at each stage that contribute to an individual's giving decision. Mainly these stages involve *sorting and assessment functions*, especially compared to alternative uses for their money in the wider environment, both NP and other. Sorting requires the individual's awareness and attention; assessment requires accumulated knowledge as well as checking with others.

As part of the assessment process, individuals may seek input from those they know and trust about any aspect of their decision (such as the size of

TABLE 7: FACTORS THAT INFLUENCE CHARITABLE GIVING BEHAVIOUR, BY STAGES

Stage 1 Orientation	Stage 2 Recognition	Stage 3 Pre-donation assessment	Stage 4 Post-donation assessment
Cultural attitudes to giving, consumption and wealth	Awareness of a social need	Comfortable with the request itself: who asks, how and when	Gift is applied as promised
Wider social giving patterns, norms and expectations	Cause/beneficiary seen as worthy	Comfortable with timing of gift	Gift has a positive impact
Social and financial fears/issues	NPO seen as worthy	Comfortable with use of gift	Quality of NP communication with donor
Public agenda: media coverage, politicians, peak bodies, opinion leaders	Successful NPO branding	Concerns about efficiency and effectiveness of NPO	Expectations regarding gift meaning or benefit met (or exceeded)
Government support for community needs	Attention	Sense of own financial sufficiency (present) and security (future)	Appropriate recognition and gratitude
Peer behaviour and role models	Personal involvement	Potential to shape outcomes	Gift option deemed appropriate
Attitudes of professionals/experts	Receptiveness or openness to request	Meaning attached to gift	
Tax system	<ul style="list-style-type: none"> Legislation Values including early family values Experiences as a child Exposure to NPOs Volunteering experiences Previous giving behaviour Life experiences Personality 	Social approval attached to gift	
Legislation		Other benefit attached to gift	
Values including early family values		Informed about options	
Experiences as a child			
Exposure to NPOs			
Volunteering experiences			
Previous giving behaviour			
Life experiences			
Personality			

Source: Developed for this analysis to illustrate the various types of studies conducted to date

the gift, its form or timing or the likely impact of the gift on their finances); they may also inadvertently receive information that is relevant to the decision they face. For example, an individual may be active in discussing the decision with his or her spouse, lawyer, financial adviser, friend or respected acquaintance, or seek out the advice of an 'expert'. Whether they receive encouragement or not can be influential, as is whether their questions or information needs are adequately addressed. They may also be exposed to others' opinions without actively raising the topic.

Assessment also involves evaluating the cost of giving. Critically, the 'cost' of a donation is not merely 'real' dollar cost but 'psychic' cost as well – the level of effort, level of ambiguity, opportunity cost and other concerns such as not wanting to lose privacy or be repeatedly approached for more donations – and it must be weighed up against the anticipated benefit to be gained, not only for the end-user beneficiary, but for the intermediary NPO, the wider community and the donor as well.

This multi-dimensional process of sorting and assessing may resolve quickly or take an extended period of time. It may occur without much external input or even much consideration by that individual. Indeed, potential donors vary enormously in their level of involvement, extent of active information-seeking, and their need for facts versus intuition. Research on message processing in other contexts suggests involvement can be extremely low and Supphellen and Nelson (2001) suggest this also occurs with requests for support: decisions may not involve serious consideration of the request or the needs of the charity making it). However, as donation values rise, it is likely that individuals will invest time and energy in the decision-making process.

How an individual's needs and interests are 'handled' by the NP organisation through the whole process is vital. NPOs influence donor expectations, and build experiences that increase – or decrease – donor satisfaction. Ultimately, though, the decision to donate or not does *not* occur in isolation from an individual's other behaviour and that of others close to him or her.

It is affected, at least in part, by new requests for support received, changing knowledge of the supported NPO (or the specific project involved or general cause area) through exposure to mass or customised media, or word of mouth means. Moreover, at its core, individual giving behaviour is deeply embedded in its nation's infrastructure and social, economic and political contexts. On this foundation of multiple influences, opportunities to create positive change in giving by the affluent are discussed in Section 5. This section concludes with an overview of changes in the way today's affluent individuals approach philanthropy.

4.6 CHANGING DYNAMICS IN GIVING BY THE AFFLUENT

Researchers are increasingly observing the 'new generation' of philanthropist. Shaped by a fast-changing, increasingly globalised world, some philanthropists are giving in very different ways than in the past. The World Wealth Report identifies eight dynamics guiding giving behaviour of this new breed (Merrill Lynch/Capgemini, 2007):

1. Seeing giving as investing not only their wealth but personal resources of their time and energy as well (and just as valuable);
2. Willing to look beyond local causes (for example, to local religious institutions, community groups, arts foundations, etc.) to embrace a wider (more international) perspective;
3. Adopting a broad approach, supporting a range of causes;
4. Growing interest in attaining specific philanthropic goals;
5. Seeking outcomes in the short to medium term, rather than just leaving a legacy for future generations;
6. Wanting to maximize the impact of their giving (the societal return on their personal and financial investment);
7. Becoming more strategic and investment-oriented in how they manage the money they allocate to philanthropy; and

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8. Using leveraging tactics similar to those they have found successful in their business ventures and personal investing.

Underpinning such changes are changes in the economic environment:

- New opportunities for individuals to build wealth themselves through their own efforts rather than through inheritance (active not passive wealth accumulation);
- The development of a global perspective in the way affluent individuals work, play and think; and
- New investment approaches that can support a broader range of causes than in the past.

At the vanguard are those with *ultra* wealth, whose behaviour is being picked up by the affluent more generally (Merrill Lynch/Capgemini 2007). Most clearly, this new type of affluent donor contrasts with the traditional 'cheque-writing' supporter to one looking for high-impact, measurable results (Johnson, 2005). This donor may be characterised by an entrepreneurial approach to giving; where they have time, donors want an active, hands-on role in their philanthropy; where they do not, they want to delegate this role to entrepreneurial intermediaries in whom they have confidence. Johnson distinguishes the new donor as:

- strongly outcome-focused. While many individuals remain happy to write a cheque, others want more involvement in achieving outcomes;
- expecting that the NPO will be entrepreneurial and apply familiar concepts of efficiency and accountability;
- preferring a cause rather than an institution, with a priority for social change;
- interested in working with others, such as giving circles, affinity groups or support networks.

The concept of a 'new donor' has been picked up by various researchers especially those investigating the emergence of social

entrepreneurship and venture philanthropy in recent years. Both model philanthropic engagement in a new way, placing emphasis slightly differently but sharing a hands-on, business-like approach to social problems. The social entrepreneur actively seeks innovation, finding 'practical solutions to social problems by combining innovation, resourcefulness and opportunity' (Hartigan, 2005, p.19) while venture philanthropists focus on investment, getting the right mix of resources to achieve specific social returns and to generate sustainable income for a NPO over the longer term (Pepin, 2005).

While there is a trend by affluent donors in looking for high-impact, measurable results, not all affluent donors fit this typology. Moreover, The Giving Campaign (2004) identified another difference between today's affluent donors. The 'committed' have 'arrangements in place to implement their wish to give' (and this can be structured in alternative ways) while the 'ad hoc' donors prefer the freedom of giving on an ad hoc basis (p.2). Indeed, while much more remains to be discovered, it is clear that the donating behaviour and expectations of affluent individuals vary substantially, with research suggesting age; level of wealth; working style; position on 'the philanthropic curve'; and their relationship to NPOs are all important influencers (Johnson, 2005, p. 52). Section 5 now addresses issues around the promotion of philanthropy in the affluent population.

5

EFFORTS TO ENCOURAGE GIVING

The field of social marketing grew from the question 'can you sell brotherhood like soap?'. In an extension of social marketing thought, a range of nations have sought to 'market' the concept of greater philanthropy, with varying triggers and equally varied success. Not much literature analyses giving efforts but wide ranging promotion activities are described here to present a picture of what is underway in and beyond Australia. This section begins by highlighting a range of indicators that suggest in some cases the affluent may be poised to act more philanthropically, given the right conditions. It then looks to what has been written about these stimulants to philanthropy.

As an overarching comment, some writers have distilled what needs to be in place to make philanthropy promotion successful. For instance Johnson, Johnson and Kingman (2004, p. 17), assert:

- a range of strategies or approaches needs to be employed;
- the wide diversity of potential donors within a population recognised and diverse populations encouraged to give; and
- creativity is needed.

Further, Johnson et al. (2004) point out that based on the experiences of a range of countries that have sought to promote philanthropy e.g. Mexico, Canada, the UK, the Czech Republic, public campaigns to promote philanthropy must (p.19):

- have realistic expectations for change (change is difficult, and the mass media is limited in its power);
- goals and timelines must take the long view: campaigns must last five years or more and entail significant cost (and may be greater time and cost-wise than is wanted by funders);
- messages must be accompanied by moving people to action – messages need to be concrete/tangible and actionable (with mechanisms in place to facilitate);
- multi-dimensional communication is needed, not just mass media but messages/

infrastructure at other levels too e.g. face-to-face interaction is vital;

- specific requests for support are required: nonprofits must be organised and prepared to capitalise on a public campaign.

Notable giving promotions include the three year UK Giving Campaign, Canada's Imagine Campaign and Central European efforts to engage people in giving through the option of percentage philanthropy where taxpayers can allocate 1-2% of where the tax they pay goes.

5.1 READINESS TO BE MORE PHILANTHROPIC

A range of indicators suggest some readiness particularly on the part of the affluent to be more philanthropic and perhaps open to such campaigns. These indicators include an expressed desire to be more engaged in the community, a growth in lifetime giving, consciousness of wealth as a burden and the need for a balanced life. Each of these is considered briefly.

Community engagement interest. In the US, more than four out of five high net worth households say they wish to do more financially for the nonprofit community, including those who had already made planned gifts (Prince, 2000). Drawing from in-depth interviews with 341 major donors in the US, Prince and File (1994) report that all saw themselves as charitable but 80.4% believed they were doing as much as they could for nonprofits. This attitude consistently showed through in workshops with 1600 affluent Americans (Breiteneicher, 1996) as well as in focus groups and in-depth interviews with the affluent in Australia (Giving Australia, 2005). Prince & File (1999) also found that some 85% of affluent respondents express curiosity about private foundations and wanted to learn more, with only 15% expressing no interest at all.

Those who had already established private foundations liked them for two reasons: it focused their giving (enabling them to handle the constant stream of requests for support that they received), and it had made their family closer because of the shared interest in it (Prince & File 1999). Indeed,

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some 38% of those surveyed said the foundation provides many more opportunities for family get-togethers, and the other 62% said it had been a positive force. Nine out of ten (92%) who had set up a private foundation in the previous two years reported recommending foundations to others.

In the UK, a Giving Campaign study showed a similar widespread desire by donors, including the wealthy, to contribute to the improvement of people's lives through financial gifts (Sargeant & Jay, 2004). Affluent UK individuals wanted to 'do good' and 'make a difference' through philanthropic giving (The Giving Campaign, 2004, p.3). Similarly in Canada, a study of millionaires – which was estimated at around 200,000 in 2001, with a further 10,000 elite families with super fortunes – showed that almost 90 percent expected their wealth to allow them to help others (Wolfe, 2002).

More lifetime giving. Bequest giving has been a favoured territory for the affluent, especially those with a lot of money and in the US where death duties have traditionally encouraged charitable bequests. However, a greater philanthropic readiness appears to exist in the growing interest in giving by affluent individuals in vivos – during their lifetime. Evidence lies in the increasing number of foundations that have been established to allow giving by donors while they are living (The Economist, 2004), not only in the US but Australia as well where uptake of the new Prescribed Private Funds structure has been positive.

HNW wealth concerns. Even the HNW attitudes identified by Prince and File (1994) as potentially limiting their level of giving may indicate openness to being more philanthropic. Their findings suggest that making, and having, a lot of money has repercussions for those individuals, some of which would be assisted by philanthropy:

- *Wealth as burden.* The wealthy can regard wealth not only as a desirable situation but also as a burden: it doesn't take care of itself and those who have a sense of responsibility about their wealth take this responsibility seriously.

- *Need for balance.* The wealthy can find it more important than ever to find balance between family and business interests, and teaching their children to manage their money properly yet also to care about and give to others (to be philanthropic). About 30% of those in the US\$1 million to US\$5 million bracket worry about teaching their children how to manage money. That number doubles at the highest tier. Balancing family and business interests worried 23% of those in the lower range and 60% in the highest. Having money can confuse people (self and others) and the Prince and File research emphasised the wish to gain perspective. The research underlines that children, too, can be very money-focused when they are in a wealthy family and can equate self-esteem, friendships, etc. with money.

Wealth volume. A further indicator is the sheer volume of wealth likely to be in play in coming years, as often mentioned in the literature. In the US, even using the most conservative projections for the growth of wealth expected to 2052, an increase in the level of giving by the wealthy is likely (Schervish, 2000). This is due largely to the impacts of the impending intergenerational transfer of wealth (Havens and Schervish, 2003). Schervish suggests that for the first time in history a sizeable, and growing, group of individuals are beginning to own more financial assets than they require or than they wish to leave to their children (The Economist, 2004). This gap between personal and family-related needs and the level of assets held is significant. As Murphy (Privacy Act, 2000) points out, the capacity to be philanthropic is not solely a function of one's wealth; it depends on the relationship between what one has and what one needs. Thus, as numbers rise of people whose personal income exceeds what they believe they need, there is potential for more money to flow through to the community sector, both through philanthropic giving during a donor's lifetime as well as bequests.

As the income and wealth of affluent individuals continues to grow, more 'will see themselves

capable...of doing something more systematic and formative for the people and causes they care about' (Havens, Schervish and OHerily, 2003 p.38).

5.2 TRIGGERS TO ACT ON THIS READINESS

Triggers to stimulate more philanthropy include:

- promotion campaigns that:
 - » increase visibility of philanthropy to the affluent;
 - » highlight their different involvement options;
 - » offer more guidelines and 'where to from here' direction;
 - » canvass giving 'norms';
 - » encourage more 'planned' versus spontaneous giving;
 - » highlight involving children in giving as a values exercise;
- acting on trends such as 'group' giving models that see greater peer support emerging;
- encouraging more 'giving champions' at the highest levels who have the credibility to seed the idea of giving;
- taxation incentives;
- referral points such as professional advisers;
- building a stronger 'case' for philanthropy and stronger awareness of the value of the nonprofit sector;
- encouraging greater transparency, efficiency and evaluation in the nonprofit sector to help overcome potential donor concerns;
- improving the understanding of the nonprofit sector about the needs of affluent givers;
- improving affluent volunteering opportunities in nonprofit organisations that embrace their skills and expertise.

Different countries have tackled this question of triggering more philanthropy in a range of ways as the following sections highlight.

Promotion campaigns. Elements of promotion campaigns have been directed through the years to society's affluent (e.g. the UK Giving Campaign focused particular effort into this segment of the giving market – see www.givingcampaign.org.uk and Bance and Mitchell, 2004). As another example, in Canada, the E-magine campaign – a follow-on from the Imagine Corporate Giving campaign – targeted entrepreneurs and investors to commit a minimum of one to five percent of their future profits to their charity of choice⁸. Within the Imagine campaign, corporations (not individuals) adopted a giving 'norm' and pledged to give one percent of pre-tax profits to charity. An evaluation of the E-magine campaign is not publicly available but the campaign appears to be no longer running some years later, perhaps reflecting the UK experience of the high net worth being loath to give according to a percentage. A UK study by The Giving Campaign (Sargeant and Breeze, 2004) of the 'mass affluent'⁹ found a mixed response to the concept of a giving benchmark, such as the promotion of donating 1% of income to charity: this was seen as *most* likely to work for those who were (and felt) financially secure and not currently giving at this level. Nonetheless, the question of whether people might be able to live on 99% of their income was a consistent UK Giving communication theme that was regarded as at least opening people's minds to the idea of giving more than their current support.

This tithing approach aims to encourage more planned than spontaneous giving, an area warranting further investigation as a promotional aim. From Giving Australia (2005) it is known that 16% of giving is described by donors as planned, and donors who plan give on average four times more than those who are spontaneous givers. While the Australian figure spans all givers, it would be powerful to see planned giving fostered especially among the affluent. Bequests, foundations, donor advised funds and major gifts all offer opportunities for donors to plan their giving at high levels and to become what the UK study terms 'committed' rather than 'ad hoc' givers (Bance and Mitchell, 2004).

⁸ See <http://www.envision.ca/templates/news.asp?ID=4916>

⁹ Defined for the purpose of this study as those in the higher income segment/those in the top 20% of the population for household income (see The Giving Campaign, 2004).

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National giving campaigns receive mixed evaluations. Johnson et al's (2004) comments at the opening of this section point to the difficulty of building a philanthropic culture on a large scale. This perhaps explains why campaigns also are run in modes other than national. Brisbane City Council, for instance, commissioned philanthropy research that among other topics considers how cities across the globe facilitate a greater culture of philanthropy, highlighting efforts with the affluent such as Chicago's Millennium Park project (GivingCity, 2007). In Brisbane, increasing visibility of philanthropy to the affluent is on the agenda with an international philanthropy expo scheduled for 2009, featuring plenary sessions from some of the world's largest givers and Australian giving 'champions' and a major effort to spotlight giving. This initiative and the increasing range of workshops from giving intermediaries and advisers¹⁰ are making inroads in helping high net worth individuals understand the range of giving options before them. Other intermediaries are emerging as also important in this more targeted promotion to the affluent about how to proceed with an interest in giving. For example, ArtSupport Australia established in 2003 with the task of growing cultural philanthropy¹¹ and the newer Research Australia Health and Medical Research Philanthropy Centre will perform a similar role for its cause area¹². Giving champions have also been part of the promotion efforts of organisations such as ArtSupport where well connected individuals who themselves support a cause area opt to proactively seek opportunities in high net worth markets to talk publicly about their giving and why others may benefit from becoming philanthropists as well (see the speeches from high profile Australians on the ArtSupport site¹³).

The international scene reflects more of these general and single cause intermediaries that assist interested potential givers to understand how they can begin in philanthropy and follow

through in areas of special interest. In the US, for example, the sports Philanthropy project works with professional sports figures and their clubs to facilitate meaningful giving.¹⁴ Philanthropy peaks such as the Council on Foundations¹⁵ offer larger scale versions of the services given locally by Philanthropy Australia, providing templates and specific cause area research and guidelines. International groups such as the National Center for Family Philanthropy¹⁶ focus on assisting the high net worth to gain the benefits of philanthropy as a values base and family unification mechanism across the generations. Giving guidelines in Australia tend to be more limited although a general guide is available from Philanthropy Australia.¹⁷

Such groups assist the process of enticing more people to give according to their means by also building the case for giving. The reported success of efforts such as Melbourne Cares¹⁸ or MacroMelbourne¹⁹ appear to in part rely upon the presentation of well researched needs that spark giving. Presenting specific projects that have been identified through research as crucial and unlikely to be funded elsewhere is encouraging in these cases business donors to give on a larger and more targeted scale. Feedback from high net worth interviewees in Giving Australia (2005) would reinforce the need to clearly articulate why government is not able or likely to fund particular needs and a reticence to shoulder a responsibility that more properly belongs to the state. Research and practice highlight that the philanthropic dollar can fund in ways that the public purse cannot but little communication of this notion is apparent. Where in Australia could any interested person go to read the case for philanthropy?

Professional advisers as giving intermediaries.

The role particularly of intermediaries such as financial advisers has been recognised in the literature as holding potential to breed more philanthropy, especially amongst the high net worth. An extensive study in 2000 by Johnson

¹⁰ See for example, Enrich Australia, <http://www.enrichaustralia.com> and Goldman Sachs J.B. Were, http://www.gsjbw.com/?p=PhilanthropicServices_P

¹¹ See www.ozco.gov.au/artsupport

¹² www.researchaustralia.org

¹³ See <http://www.abaf.org.au/communicationscentre/speeches.html>

¹⁴ For example, www.sportsphilanthropyproject.com

¹⁵ See <http://www.cof.org/>

¹⁶ See <http://www.ncfp.org>

¹⁷ A Guide to Giving for Australians, downloadable from <http://www.philanthropy.org.au/involved/guidetogiving.htm>

¹⁸ See www.melbournecares.org.au

¹⁹ See <http://www.communityfoundation.org.au/news/latest/macromelbourne-liveable-city/>

(2004) suggests at least for US financial and legal advisers there is an expression of an unprecedented level of interest in philanthropic planning with their high net worth clients, with some indications that they are becoming more active in this area. Barriers to this occurring have been found to be similar across western nations, including Australia. Advisers indicate they would be more proactive in prompting clients toward philanthropic activity if they had more resources and information with which to do so.

As Karoff indicates (1994) by including philanthropy in their estate planning in an efficient way, individuals can satisfy the need to 'feel good about themselves' as well as passing on family values to the next generation and beyond (p.47)

For the professional planner, engaging their clients in discussions about their overall life and family activities can solidify and expand relationships, in the mould of the family office model that operates to a small degree in Australia. Some three quarters of independent UK financial advisers and stockbrokers reported that a strong incentive for them to offer advice on tax efficient or planned giving was the opportunity to do a good job for their clients; to deliver quality advice (The Giving Campaign, 2001).

In countries where a range of planned giving vehicles exist, the potential for cross-over between the charitable and financial services sectors is great. In the US, total charitable giving was over \$US240 billion in 2002 but many individuals who give do not take advantage of financial advice and strategies that would enable them to 'give smarter' (Olson, 2003, p.12). An analysis of affluent tax filers in the US revealed an average of \$3000 in capital gains tax savings could have been made if appreciated assets instead of cash had been donated (The New Tithing Group, 2003, p.4). The Giving Campaign (2003) highlighted total charitable giving from individuals of all incomes was £7.3 billion in 2003, approximately one twelfth of the £80 billion plus that flowed into life and investment financial services, excluding insurance products and retail banking. Yet campaign research pointed to tax effective charity vehicles being underutilised by donors and such vehicles having low awareness within the financial services sector.

The role of involvement. Other commentators suggest the promotion need lies in bridging the experience gap between those who have and those who need (Alliance Roundtable, 2004). Roundtable contributor, Simmons, asserts little will change until young people are out and working in developing countries and developing the bond and the 'sense of personal connectedness' that are preludes to giving. The pair conducted a workshop on behalf of Alliance magazine whose key themes on lifting giving reinforce much in this section, being:

- Making giving easier and more attractive;
- Improving the public perception of NPOs, particularly through more information and measurement;
- Using foundations to stimulate individual giving, by acting as 'the smart money', giving a lead and leveraging direct individual giving; and
- Recognising that family and peer influence play a large role in persuading people to give in the first place.

Clearly it is not just young people who have the capacity to engage with causes as a result of direct contact. Various approaches exist that draw affluent people into charitable circles, ranging from the variety of community leadership courses (see www.ourcommunity.com for a full list) to the AdviceBank volunteering arm of ArtSupport that matches interested business volunteers with arts organisations. In India, the Dignity Foundation draws upon retired professionals, many of whom are affluent, as a bank of volunteers to activate its myriad of services for older Indians. The link between volunteering as a common entrée to giving is well established and was solidified in the Australian context through Giving Australia (2005).

Peer group giving. At a formal level, this element of peer influence has achieved outcomes through the relatively new donor medium of giving circles that has become popular across high and low net worth givers alike in the US. An estimated 800 such giving or donor circles operate in the US, most starting since the year 2000 (Bearman, 2007). The circles typically compose people of the same race, gender and age and operate with a

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wide range of formality. Working similarly to a share club, a group of likeminded people usually known to one another pools their funds and invests in their cause of choice, usually making the same annual commitment each. Often hands-on volunteering or assistance to the cause is also part of the activity, breeding again that 'sense of connectedness' mentioned above. A similar idea is at work in the biomedical venture philanthropy efforts of high net worth givers such as the Lauder Family through its Institute for the Study of Aging in the US²⁰ and Goldman Philanthropic Partnerships²¹. Core to both philanthropic advocacy efforts are management of the giving options so they are scientifically validated, based on business models that many donors understand and in effect create a group of fellow-donors in projects who are eager to use philanthropy for innovation.

A wide range of philanthropy awards has been instigated to heighten awareness of philanthropy and appeal to those who may be moved by the status and peer acclaim that can attach to giving, a common motivation according to the general giving literature. Examples include the Community Foundation for Ireland Philanthropist of the Year Awards²².

As in the case of high profile Australians speaking to promote specific cause areas, philanthropic advocacy has also been evident in business circles. For example, the Australian DAVOS Connection leadership forum has included a philanthropy focus for the past two years and this arena embraces many potential individual givers. Providing key messages from peers may again prompt potential givers to think more seriously about philanthropy.

Taxation. Pundits are somewhat divided on the impact of tax on giving. As Cham (2003, p. 19) suggests 'It has long been a vexed question as to whether or not tax incentives are important to the growth of philanthropy. Australian experience so far suggests that they certainly help.' Schervish on the other hand, in the US claims that stimulating the economy and creating more wealth is the best way to foster philanthropy, so he is in favour of living without taxation incentives such as the US Estate Tax (Schervish 2001). Other US researchers

(Auten, Clotfelter & Schmalbeck, 1997) conclude that the affluent give significantly more to charity with tax incentives in place than they would were their contributions not deductible as confirmed by a Chronicle of Philanthropy poll that reports more than half of wealthy people said tax benefits induce them to give, while only 28 percent of the total population cited taxes as a motivation (The Chronicle of Philanthropy, 2001).

The latest UK research with wealthy givers (Taylor, Webb & Cameron 2007, p.8) suggests greater awareness of tax incentives is needed to improve their uptake and may in turn increase charitable donations. Giving Australia found a similarly low level of awareness of the range of taxation benefits available.

Johnson et al (2004) comment that while tax-based promotion initiatives are not always appropriate for particular cultures, nor necessarily easy to create or administer, many countries are grappling with 'thoughtful policies and structures' while 'trying to guard against the misuse of fiscal incentives' and limit ones that could decrease tax revenue (Johnson et al, 2004, p.17). The cost of charitable tax deductions to the US Government in 1999 was estimated at US\$25 billion (Cordes, 1999). Johnson et al (2004) suggest the emphasis by many governments on tax limitations and restrictions 'reflects the general distrust and suspicion of the nonprofit sector generally' (p.17). As they point out, 'New policies and tax incentives are only likely to be implemented if government and public attitudes towards the role of philanthropy and civil society are similarly reformed' (p.17).

Taxation policy generally figures in the raft of ideas nations put forward to encourage giving. In an early US campaign, White (1986) called for strategies that would capitalise on those who feel they should be giving more and would offer them new mechanisms for gift giving. Sargeant and Breeze's 2004 Blueprint for Giving that followed the UK Giving Campaign suggested further development of tax effective measures to benefit charities, as well as easy access and better promotion of such measures. So too the Asia Pacific Philanthropy Consortium (2001, p.8) who highlighted the need for Australia to change its charity and tax law to

²⁰ See www.aging-institute.org/venture.htm

²¹ See <http://www.goldmanpartnerships.org>

²² See <http://www.activelink.ie/ce/active.php?id=2759>

be clearer, more coherent and more consistent to better support philanthropy. Tax has been an interesting lever in Eastern Europe since 1996 when Hungary introduced the percentage philanthropy initiative. As alluded to earlier, through percentage philanthropy legal mechanisms allow taxpayers to allocate a certain percentage of their previous year's paid income tax (usually 1-2%) to approved beneficiaries. Hungary, Slovakia, Lithuania, Poland and Romania have enacted mechanisms to allow citizens to direct their tax in this way and early research suggests it is building a culture of greater philanthropy from the private purse as people take more interest in community need areas (<http://www.onepercent.hu/project.htm>).

Useful though such initiatives are in building a civil society where not much has existed, they are very different to the tax incentives for HNW individuals in other countries. Cordes (1999) notes that early tax studies indicate that giving elasticity was significantly affected by the after tax cost of giving. However, he points out that the only group that saw a major giving drop in the US after its 1986 tax reforms was the very wealthy segment. As suggested earlier, tax may be a particularly important trigger for this group, whereas it may be less so for those with smaller disposable income.

New Zealand in 2006 explored the effect of favourable tax policies on charitable giving concluding that tax incentives reinforce existing giving inclinations but that in isolation are unlikely to significantly change giving behaviours (Cullen & Dunne, 2006). As they and others conclude, a variety of marketing efforts beyond taxation seem to be required. What is also needed is the ability to overcome some of the barriers to giving that are cited as issues by the affluent.

Overcoming barriers to giving. Recommendations were made as part of the Giving Australia (2005) study that relate to the question of encouraging affluent giving and setting a better climate for it to occur. Activities identified in Australia that could help overcome barriers to more giving include:

Through nonprofits:

1. *Ensuring the credibility and accountability of nonprofit organisations* by addressing the public's unrealistic expectation for all of

a donation to go to a mission, identification of unpopular practices of some nonprofits such as very large CEO packages; and moving to a simpler, consistent legal framework for activities;

2. *Supporting efforts to raise the standing of the fundraising profession* within the sector as well as the wider community so the field attracts a strong workforce.

Through strategic intermediaries for giving:

1. *Fostering advice by professional groups* such as accountants, financial advisers and solicitors to individuals and businesses that facilitates giving decision-making;
2. *Promoting bequests* through intermediaries because they are relatively unused by Australians;
3. *Supporting PPFs* in addressing new and existing community needs that are not otherwise being adequately addressed, and helping these newcomers to philanthropy to manage their granting if needed;
4. *Supporting established foundations and trusts* with issues they face such as meeting founders needs while remaining contemporary.

Through government support:

1. *Establishing a long term, applied giving research agenda*, ensuring regular and accessible data, both quantitative and qualitative, relevant to giving, for example, giving patterns and activities of the nonprofit sector;
2. *Resourcing the ATO to generate confidentialised data sets* to facilitate tracking of giving behaviour across generational cohorts;
3. *Policies, and funding, to raise public awareness of NPOs* and encourage giving.

Thus, a range of initiatives have been used in Australia and beyond to entice more people into the giving market, especially people of means. The issues raised as barriers and opportunities seem to be often similar in countries round the world. The potential to consider some more international strategies exists.

6 SUMMARY OF FINDINGS AND RECOMMENDATIONS

This report has questioned whether high net worth Australians are giving according to their means. It finds that despite some stellar generosity, such giving by the wealthy as a whole is perhaps more aspiration than reality. Much is abuzz about the topic of philanthropy in Australia today but despite burgeoning numbers of affluent, the relatively resilient economy and likely intergenerational wealth transfer, actual high net worth giving is not as vibrant as it might be.

As highlighted in **Section 1**, measuring wealth and comparing those yardsticks is not straightforward. Different studies cast affluence at different levels and 'apples to apples' international comparisons are rare. Moreover, the notion of an 'iceberg' of wealth arises because personal assets can be out of view due to family trusts and savvy structures to minimise taxation. Similarly, lack of knowledge of corresponding debt levels makes assumptions problematic. However, tracking the comparative levels of affluent giving across countries has been highlighted as highly valuable for policymakers and others to understand where one country sits against international benchmarks and what trends are occurring amongst those arguably best equipped to create social change.

Section 2 charts the increasing wealth of Australians generally and of the higher net worth in particular, thanks to property and resource booms, equity market opportunities and superannuation boosts. The likelihood of this wealth surge continuing seems sound, with asset values increasing, fed also by wealth handed down from the preceding generation. Charitable giving by state, as a percentage of overall taxation deductions, by demographics and over time are reported to build the backdrop for affluent giving. The staunch role of the \$50,000 – \$100,000 taxable income band donor was highlighted where volume of donations see this segment outstrip wealthier donors claiming a tax deduction.

The long term tax data establishes that as income level increases, so too does the donor participation rate. However, these figures also spotlight those

in higher income bands not giving to charitable causes despite their financial capacity. The bald facts here are that one in three affluent Australians may be donating only negligible sums.

Particularly those in the \$100,000-\$499,999 and \$500,000-\$999,999 income brackets are low in proportion to their incomes. The former's average claimed donation of \$1,123, for example, is out of scale to the \$59,351 donation by those in the highest affluent bracket notwithstanding the wider income range. Nor is this \$1,123 average donation in scale with those on lower incomes.

Section 3 reports giving activity across OECD nations, highlighting Australia as a moderately ranked giver. Again, the issue of Australia's growth in wealth but not commensurate growth in affluent giving comes to the fore. While in tune with international trends that point to increased giving by the top end of the affluent scale, giving by the new cadre of Australian millionaires has not lifted in proportion to their greater ability to do so. They are participating in giving less than their international peers and donating lesser amounts when they do give. Indications from the tax deductibility data are that a sizeable number of Australia's high net worth – perhaps as much as 40% – may not give at all.

Section 4 canvasses what is known from various disciplines about why people give, especially the affluent. Giving profiles are summarised including the five key factors identified as linked to affluent giving: higher income, older age, higher education, marriage and strong religious involvement. The fact that affluent givers reflect similar motivations to the general giving population but also have extra considerations is highlighted. The barriers to high net worth giving are summarised according to the research, including notably the sense of not being able to afford to give and concerns that the money will be well managed and used. The decision making process is considered for the affluent, tracking from orientation toward giving, recognition of the cause and other factors surrounding the gift to pre- and post-assessment of the donating experience. The so-called new breed of philanthropists is also highlighted as a changing dynamic.

Section 5 highlights how Australia and a range of countries are seeking to stimulate more giving, recognising that some logic exists that the affluent may be open to giving involvement if presented appropriately. The role of a multi-strand approach to a range of stakeholders is clear and a range of experiences in other nations can inform what Australia might do to engage its affluent more.

In summary the report finds:

- 1. Approximately 6 in 10 of the wealthiest Australians (approximately 5% of Australia's total population) claim deductions for their charitable giving.** Given the propensity of this group to benefit from professional tax advisers and utilise the tax system, some 40% are likely to be engaged in minimal – if any – giving.
- 2. Affluent Australians give more than the average Australian but generally not much more.** Contributions to charity, measured by donations claimed against income and expressed as a percentage of taxable income, are only marginally higher for the vast majority of the affluent (with taxable incomes of between \$100,000 and \$500,000) than for Australians overall, at approximately 0.45% and 0.33%, respectively.
- 3. The level of personal wealth held by wealthier Australians has accelerated at a much faster rate than their charitable giving.** Over the ten years to 2005, mean household income for Australia's affluent population has increased by 36%. However, its charitable contribution, as measured by the percentage of taxable income claimed as charitable giving increased from just over 0.36% to just over 0.45%, still well under 1% for the vast majority of wealthier Australians.
- 4. Despite some superlative yet isolated examples, there is little evidence that Australia's ultra-rich and ultra-ultra-rich are giving at the same rate as overseas counterparts.** Despite increasing gift levels in the past decade to 2005 from 0.7% to 1.98% of their taxable incomes, the wealthiest of Australia's affluent (\$1m plus in taxable income) do not appear to be engaging in philanthropy, as a group, to the extent indicated by global trends. The World Wealth Report (Merrill Lynch/Capgemini, 2007) estimates that the top 17% of ultra rich donors globally (with assets equivalent to US\$30m plus) are now giving away approximately 10% of their assets annually; they also point to the global HNW population's growing propensity to allocate between 3% and 11.8% of their portfolios to philanthropic causes annually. While no detailed figures exist in Australia, tax statistics indicate that making substantial donations still constitute an exception rather than a norm for the wealthy.
- 5. Tax changes support a philanthropic culture.** More tax-related strategies are called for, given the formal documentation of more than 450 Prescribed Private Funds (PPFs) by individuals and companies between introduction of the measure in 2001 and 2006. Since then, estimates point to more than 600 in operation. In other countries, the 'incentivising' impact of various measures, including death duties cannot be denied.
- 6. The affluent is the affluent is the affluent...not so!** Wealthier Australians now represent a diverse group, with large variations in financial capacity. Segmentation of the affluent population by income/asset level is essential to understand areas of low giving (and high giving).
- 7. Drawing upon the findings, the following standout opportunities exist to encourage giving by the affluent.**
 - i. Increase visibility of philanthropy amongst the affluent;
 - ii. Increase awareness of different types of involvement to suit varying levels of wealth and personal circumstances;

SUMMARY OF FINDINGS AND RECOMMENDATIONS

- iii. Create greater peer support for giving e.g. loose supportive networks and groups providing opportunities for discussion and potential group funding (e.g. giving circles);
- iv. Offer more guidelines for giving, promote affluent giving norms and build the practice of 'planned' versus spontaneous giving;
- v. The highest echelons of government, business, the professions and the community need to be personally inviting Australia's wealthy opinion leaders to join in visionary philanthropic projects;
- vi. Promote tax benefits attached to giving at higher levels, and alternatives;
- vii. Train and support professional advisers about providing philanthropic advice to match clients' circumstances to the most suitable giving vehicles or options;
- viii. Improve awareness amongst Australia's affluent population of the benefits of involving their children in giving, the opportunities available, and who can assist them achieve their aims;
- ix. Improve awareness of the Australian nonprofit (NP) sector and the unique role of philanthropy in creating change in the community: the case for philanthropy needs to be stronger and clearer than it is currently;
- x. Increase transparency, efficiency and evaluation by nonprofit organisations to help overcome expressed donor concerns. At the same time, public education is needed to more realistically set these expectations;
- xi. Improve understanding and responsiveness by the NP sector of the needs and interests of the affluent;
- xii. Improve volunteering opportunities for the affluent in NPOs, drawing upon their knowledge, connections, experience and interests.

The potential to achieve more in this area is clear.

APPENDIX 1 TERMS USED IN THIS REPORT

‘Donation’ Unless otherwise indicated, a voluntary transfer of funds made to an organisation in the preceding 12 months by a person, on an individual not a business basis. Donations preclude receiving any benefit in return and excludes purchases of goods and raffle tickets (although it includes contributions to door-knocks and sponsoring walkathons etc) (McGregor-Lowndes & Newton, 2007)

‘Philanthropy’ refers to substantial and on-going financial support for a nonprofit organisation with the aim of alleviating or preventing community problems, or to improve life and living conditions for people and creatures that have no claim on the givers.

‘Affluent’ used interchangeably with **‘high net worth’** and **‘wealthy’** in this report. It refers to individuals who have investable assets of at least \$1.2 million or a taxable income of at least \$100,000 apart from their principal residence. This figure is ideally minus debt but due to the difficulty of obtaining accurate data, authoritative estimates are relied upon.

‘Professional adviser’ used interchangeably with **‘adviser’** (with the same general meaning as the US **‘advisor’**) and refers to those paid to look after an individual’s or family’s personal financial affairs. Their role is commonly described as ‘financial adviser’ but professional descriptions may be used (depending on the qualifications and speciality of the adviser involved):

- accountants
- financial planners
- private bankers
- tax or estate lawyers (whose focus is on legal aspects of their client’s personal financial affairs).

‘Prescribed Private Funds’ (or **‘PPFs’**) – refer to a relatively new form of private philanthropic trust in Australia that is similar to the US family foundation. In essence, a PPF is a fund established by a will or trust instrument with DGR status (that is, gifts to it are deductible to the donor); previously such funds were required to seek and receive donations from the public and be strictly controlled by members of the public

APPENDIX 2 TOTAL DONATIONS BY INDIVIDUALS IN 2005, BY CAUSE AREA

This table shows the recipient areas for total reported donations by Australians in the 12 month prior to survey (excluding donations of '0'). Total number in sample was 6,209.

TABLE 8: TOTAL DONATIONS BY INDIVIDUALS IN 2005, BY CAUSE AREA

NPO type	N	Min	Max ('000)	Mean	SD	25th per	Median (50th per)	75% per
Schools, universities, or colleges	1,091	0.12	10	177.54	539.37	20.00	50.00	150.00
Sporting clubs	813	0.53	2.5	78.87	175.47	20.00	30.00	80.00
Recreational or hobby groups	194	0.02	1	78.29	124.08	20.00	30.00	92.50
Religious or spiritual	1,698	0.30	50	552.80	1,580.37	50.00	200.00	500.00
Medical research	3,175	0.08	6	85.48	210.25	20.00	40.00	100.00
Other health	1,077	0.08	8	98.81	335.74	20.00	40.00	100.00
Community or welfare services	3,769	0.01	20	89.36	392.71	10.00	30.00	75.00
International aid and development	1,468	0.18	6	261.76	391.18	30.00	120.00	400.00
Australian emergency relief	1,942	0.01	20	57.03	469.77	10.00	20.00	50.00
Environmental or animal welfare groups	1,389	0.53	20	99.43	577.11	10.00	30.00	75.00
Arts or cultural	285	0.11	50	282.79	2,974.04	20.00	50.00	100.00
Political parties, unions, business or professional	371	1.41	2	137.99	223.39	20.00	50.00	175.00
Other	27	10.00	3	330.30	617.64	50.00	100.00	200.00

Source: Giving Australia database 2005

NOTES:

N – Represents the number of respondents selecting a cause area. Non-reporting accounts for any discrepancy in percentages.

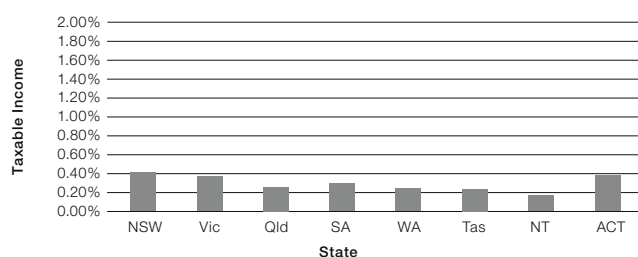
Last three columns – These shows the dollar amount given by respondents in the 25th (50th or 75th) percentiles, for example, it should be read as 25% (or 50% or 75%) of people donated \$20 or less to this cause area.

APPENDIX 3 MORE ON PERSONAL GIVING IN AUSTRALIA

STATES AND TERRITORIES

Tax statistics show that residents of NSW, Victoria and Queensland together accounted for 82% of all tax-deductible donations made to DGRs in Australia in the 2004-05 income year. ACT led the way for the proportion of taxpayers claiming donations (with 47.2%), followed some way behind by Victoria (41.56%) and NSW (39.57%). However, NSW loses its dominance when the ratio of donating taxpayers to non-donating taxpayers is calculated: ACT leads other States and Territories, followed by Victoria.

TABLE 9: TAX-DEDUCTIBLE DONATION AS A PERCENTAGE OF TAXABLE INCOME BY STATE OF RESIDENCE 2006



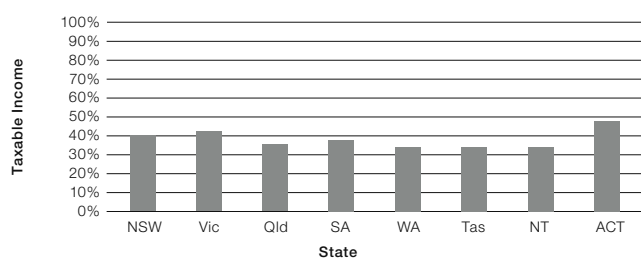
*What, specifically, is the level of giving in each state or territory?*²³

- NSW** In 2004-05 just over 1,450,000 NSW taxpayers donated \$623.9 million given, almost 43% of the national total. NSW donors donated approximately 0.42% of their average taxable income, translating to an annual average amount of \$430 compared to a national average of \$341.
- Victoria** The next largest donor state to NSW in 2004-05 was Victoria with almost 1,165,000 taxpayers seeking deductions for donations totalling \$394.4 million. Victorians donated 26.8 % of the total national amount donated. Victorian residents donated an annual average amount of \$339, which represented 0.37% of their average taxable income.
- Queensland** Just over 783,000 Queenslanders donated, totalling \$189.9 million, or 12.9% of the national total. The average annual donation was \$242 or 0.25% of their average taxable income.
- ACT** Residents in the ACT donated an average annual amount of \$370, representing 0.38% of their average taxable income.
- South Australia** 37.5% of South Australian taxpayers claimed donations to DGRs in 2004.

²³ Drawing from CPNS' analysis of 2004-05 data (McGregor-Lowndes & Newton, 2007).

APPENDIX 3

TABLE 10: PERCENTAGE OF DONATING TAXPAYERS TO TOTAL TAXPAYERS BY STATE OF RESIDENCE IN 2004-05



GIVING BY GENDER

The Giving Australia household survey in 2004-05 shows that more Australian women than men made a donation in the year prior to the survey (89.5% and 84.1%). ABS' Voluntary Work Survey (2007) data agrees: as in the year 2000, Australian women in 2006 were substantially more likely to give donations (81%) than men (73%). This difference fades when examining ATO data, however: 38.44% of males (2.24 million individuals) and 38.32% of females (2.08 million) claimed for tax-deductible gifts in 2004-05²⁴ (which may be linked to income differences). GA qualitative findings suggest that those on lower incomes – a group with a higher proportion of women – are less likely to claim for their donations (Giving Australia, 2005). Both GA and ATO data agree that Australian men gave more in real terms than Australian women. According to GA findings, men gave an average donation of \$477 for the year to January 2005 while women gave, on average, only \$377 (which is likely to reflect income differences). Tax data shows that males claimed a total of \$877 million in donations, females \$595 million, with average annual amounts of \$392 and \$287, respectively. This is balanced somewhat by a higher donation by females as a percentage of their respective taxable incomes, with 0.37% for females compared to 0.33% for males.

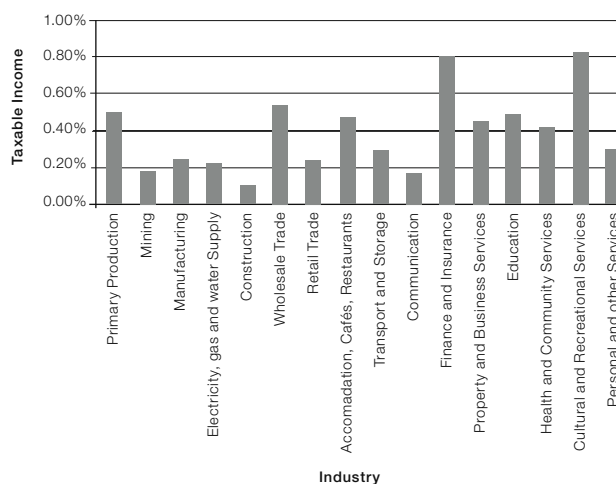
GIVING BY AGE

Both Giving Australia and ABS findings suggest that donations peak twice for the Australians generally: they increase from young adulthood (18 years) until middle age (45 to 55) after which giving declines until the traditional retirement age (65 years) then rises again. While these highs and lows are not extreme, donation levels generally peak at mid life and in post retirement years. (Giving Australia, 2005) research spotlights those over 65 as making the largest donations, on average across all Australians, and contributing the largest amount overall, proportional to their numbers.

GIVING BY INDUSTRY CLASSIFICATION

ATO statistics indicate that Australia's 2.45 million individual wage and salary earners (with no other reported business income) drive much of the giving in Australia. This huge cohort, representing 85.3% of all individuals paying tax, donated a total \$4.64 billion in 2004-05. Yet these wage and salary earners claim relatively modest gifts (\$182), compared to the average claimed gift of \$341 (which may reflect the disinterest of some wage earners to claim deductions for their donations).

TABLE 11: TAX-DEDUCTIBLE DONATIONS AS A PERCENTAGE OF TAXABLE INCOME FOR SOLE TRADER BUSINESS TAXPAYERS ACROSS INDUSTRY TYPES (ANZSIC)



²⁴ 'Donations' refers to tax-deductible donations to DGRs and donors to individual taxpayers making such donations.

Individual taxpayers who reported direct income from investments (for example rental income, interest and dividends) donated \$3.36 billion, with an average deductible gift of \$401. The stand out group comprised taxpayers with their own businesses, particularly sole traders in finance and investment areas, and cultural and recreational services, (McGregor-Lowndes & Newton, 2007). This group includes those who derive income from investments or distributions from partnerships, trusts or other activities in which they are *not* engaged themselves.²⁵ Such individuals accounted for the highest total donations *and* the highest average donations of all Australian taxpayers in 2004-05. However, not all individuals registered as sole traders gave at high levels. Those in five industries gave at *negligible* levels construction, mining, communication, retail, and personal and other services. The average taxpayer donation in these industries ranged from 0.1% to 0.3% of their taxable incomes.

²⁵ These are individuals who completed the Business and Professional Items Schedule comprising Items P1 to P19 of the 2005 income tax return and it excludes those operating business through partnerships, trusts and companies.

APPENDIX 4 RELATIONSHIP BETWEEN PERSONAL INCOME AND TOTAL DONATIONS IN AUSTRALIA

TABLE 12: RELATIONSHIP BETWEEN PERSONAL INCOME AND TOTAL DONATIONS IN AUSTRALIA

Annual Income	No of respondents	Average annual donation (\$)	Std. Deviation	Min donation	Max donation
Nil	261	309.69	633.294	0	4400
\$1 – \$2,079	39	266.00	430.258	0	2053
\$2,080 – \$4,159	61	179.55	340.203	0	2000
\$4,160 – \$6,239	85	264.81	404.304	0	1800
\$6,240 – \$8,319	111	290.91	536.698	0	3160
\$8,320 – \$10,399	218	240.82	513.563	0	3900
\$10,400 – \$15,599	557	247.91	716.734	0	14000
\$15,600 – \$20,799	368	320.81	576.151	0	4950
\$20,800 – \$25,999	409	383.61	678.823	0	6200
\$26,000 – \$31,199	373	329.48	612.233	0	5120
\$31,200 – \$36,399	297	318.97	511.460	0	3900
\$36,400 – \$41,599	324	411.21	840.125	0	7200
\$41,600 – \$51,999	587	568.61	2375.439	0	52570
\$52,000 – \$77,999	711	625.22	1368.968	0	18650
\$78,000 – \$103,999	271	622.44	1600.572	0	20000
\$104,000 Or More	220	1430.88	6458.933	0	92000
Can't Say	545	352.59	727.878	0	7370
Refused	772	359.29	723.447	0	8190
Total	6209	435.61	1642.402	0	92000

Source: Giving Australia (2005) dataset

The Giving Australia household survey shows a significant relationship exists between personal income and the amount of money donated, $F(17, 6171) = 7.27$, $p < .0001$. Those earning \$104,000 or more p.a. donated more than every other income group (including “can’t say” and “refused”). Also, those earning \$52,000 – \$77,999 p.a. donated more than those earning \$10,400 – \$15,599. These figures are for actual dollars donated and does not consider percentage of income given.

APPENDIX 5 PROFILE OF AFFLUENT RESPONDENTS IN THE GIVING AUSTRALIA HOUSEHOLDER SURVEY

Drawing from the Giving Australia dataset, an aggregated profile drawn for the 220 respondents with annual gross incomes of \$104,000 or more is as follows:

- Slightly more males than females (53.1% compared to 46.9%)
- Living across all states but mainly NSW (39%) and Victoria (28%)
- 77.5% residing in metropolitan areas
- Overwhelmingly speaking English at home (97%)
- Most are either 'baby boomers' aged between 45 and 59 years (42%) or 'Gen Xers' aged 30 to 44 years (36%)
- The vast majority are working (43 were not, being retired or engaged in home duties)
- Four out of five have a relatively high level of education (21% have year 12 or less)
- The majority have some religious beliefs (61%)
- The great majority were born in Australia (71%)
- Almost all spoke English as the main language in their home (96.7%)
- The majority are families with children at home (53.7%) and:

Number of Children in Household	
0	1.2%
1	27.1%
2	45.3%
3+	26.5%

*sample size of 171 for this question

Number of Children in Primary School	
0	62.6%
1	22.2%
2	12.9%
3+	2.3%

*sample size of 170 for this question

Number of Children in Secodary School	
0	56.8%
1	22.6%
2	17.1%
3+	3.4%

*sample size 146 for this question

APPENDIX 6 NEW PHILANTHROPIC TAXATION INITIATIVES BY THE AUSTRALIAN GOVERNMENT

The following is an excerpt from McGregor-Lowndes and Newton (2007 pp. 5-6; 18-19):

Background On 26 March 1999, the Australian Prime Minister announced various income tax measures to encourage greater philanthropy in Australia. Measures to facilitate individual giving included:

- establishment of prescribed private funds (PPFs);
- gifts of property over \$5,000;
- 5-year averaging of donations;
- deductions for workplace giving;
- conservation covenants;
- capital gains tax exemption under the Cultural Gifts Program;
- deductions for fundraising dinners and similar events; and
- health promotion charities.

a. Establishment of Prescribed Private Funds (PPFs)

One measure involved the establishment of the PPFs which are funds established by will or trust instrument with:

- DGR status (that is, gifts to it are deductible to the donor);
- normally, income tax exempt status (that is, its income is exempt from income tax); and
- the ability to attract a variety of other Commonwealth, State and Territory tax and duty concessions.

There is no need for gifts to a PPF to be sought and received from the public and a PPF can be controlled by an individual, family or corporate group. This is a removal of a major barrier to philanthropy, as it was often difficult to satisfy the previous test of “public donations” before a fund would be a DGR.

b. Gifts of Property Over \$5,000

From 1 July 2001 legislation was passed enabling donors to claim a tax deduction for gifts of property held by the donor which was valued at more than \$5,000 by the Commissioner of Taxation. This deduction was backdated to apply from 1 July 1999 and extends to property donated to approved environmental and heritage organisations. Previously, the deduction was only available where the property was purchased within 12 months of being donated.

c. Averaging of Donations over Five Years

Donors now have the ability to spread the following types of gifts over a period of up to 5 income years:

- cash donations in excess of \$5,000 (which took effect from 1 July 2003);
- property valued by the Commissioner in excess of \$5,000 (which took effect from 1 July 1999); and
- cultural gifts made through the Cultural Gifts Program (which took effect from 1 July 1999).

d. Deductions for Workplace Giving

Workplace giving programs (which took effect from 1 July 2002) are designed to give employees the opportunity to make regular donations to a DGR through regular payroll deductions. Employees receive immediate tax benefits, as employers are able to reduce the amount of PAYG withholding tax from that employee’s pay.

e. Conservation Covenants

Certain types of conservation covenants over land entered into on or after 1 July 2002 will be eligible for an income tax deduction and concessional capital gains tax treatment.

f. The Cultural Gifts Program – Capital Gains Tax Exemption

From 1 July 1999, bequests of property and gifts of cultural property made through the Cultural Gifts Program are now exempt from capital gains tax, thus maximising the appreciated value of these gifts for tax deduction purposes.

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