BUILDING A SUB-FUND

Financially supporting charities is a great way to be involved in the creation of positive change within your community. This case study outlines how philanthropically-minded individuals can build a charitable sub-fund to continue their annual giving program during retirement.

SCENARIO

- Janet and Damir are active supporters of a number of charities.
- Together, they donate approximately $20,000 per year.
- They aim to retire in 10 years and are concerned that they will not be able to maintain their charitable giving during their retirement.
- Upon hearing about Australian Communities Foundation (ACF), Janet and Damir decide to cease their annual giving and contribute the $20,000 per annum into an ACF sub-fund which they hope will grow to approximately $200,000 by the time they retire.

AIMS/FINANCIAL GOALS

Janet and Damir's aims in starting and contributing to the sub-fund are to:

- Donate funds in a manner that creates an enduring benefit for selected charities;
- Allow them to actively participate in the support of charitable beneficiaries well into their retirement years when they may not be in a financial position to make further donations;
- Align the making of donations to the years in which their tax benefits will be highest.

OUTCOME

Goal	Outcome
Match the donations to the best period in which they are best able to afford the cash outlay.	Achieved
Create a sub-fund in which they can actively participate: both now and in their retirement years and eventually through a bequest.	Achieved
Use the taxation system to help finance the donations.	At the 40% marginal tax rate (excluding the Medicare levy), Janet and Damir save approximately $8,000 in tax by making a donation of $20,000. If a similar level of donations were made in their retirement years the tax savings may be significantly less. For example, at the 15% marginal tax rate, the tax saving may be approximately $3,000.

AUSTRALIAN COMMUNITIES FOUNDATION