

Wealth Intelligence Digest

Summer 2010



PROSPECTING FOR GOLD LTD
Wealth Intelligence Services™

Family Charitable Trusts

Prospecting for Gold



Prospecting for Gold Ltd is the leading source of factual information in the UK on wealthy and influential people. Prospecting for Gold has compiled information from factual sources on over 900,000 individuals over the last 20 years. Prospecting for Gold is uniquely qualified to provide information and comment on the composition and depth of both liquid asset and property wealth in the UK.

The Wealth Intelligence Digest aims to provide further insight into some of the most widely discussed questions about wealth. In this second edition, Prospecting for Gold draws on the information held in its database on household property wealth, ‘The Legacy Prospect Database’ to draw some conclusions about current UK home ownership.

The Importance of Trusts

The recession and impending cuts in government spending represent a challenge to the UK voluntary sector. Not only are charities expected to cope with declining corporate and public sector funding, they are to do so at a time when their services are likely to expand to fulfil new roles formerly occupied by the state.

In the light of this Prospecting for Gold have dedicated this Digest to examining an important, and often overlooked, source of funding, Family Charitable Trusts.

According to CAF (Charities Aid Foundation) the combined grant-making expenditure of the UK’s top 500 Charitable Trusts was £2.1 billion, roughly equal to central government grants to the voluntary sector and seven times more than corporate grantmaking.

When we examine the assets of grantmaking trusts we see a cautious and diversified investment style, appropriate to their obligations as charities. As such they have been insulated from many of the losses experienced by corporate and individual donors during the recession, and possibly an important counter balance to declining revenues.

Grant-making Trusts: The Current UK Landscape

What does the UK Landscape of Charitable Trusts look like? How many of them are there? What assets are under their control?

The NCVO (National Council for Voluntary Organisations) say there are approximately 10,000 independent charitable trusts and foundations operating in the UK, making combined grants worth over £2.1 billion.

According to research by the Centre of Charitable Giving and Philanthropy, the top 100 UK private charitable trusts have combined assets of £2.95 billion. These 100 trusts contribute over half of all grants made by charitable trusts and foundations totalling £1.17 billion.

How have trusts fared?

In the decade leading up to 2006, the top 500 trusts and foundations increased their assets by over £20 billion, annual grant-making also increased by £2 billion.

During the recession, research by the DSC (Directory of Social Change) holds that trusts have been able to maintain and even raise grant-making at the expense of their net assets, though inevitably for some grant-making has fallen.

David Emerson, Chief Executive of the ACF (Association of Charitable Foundations) points to prudent financial controls and long term planning used by trusts as key to their ability to weather the recession. While asset values have fallen, they are expected to recover and dividend payments to trusts have remained steady. Encouragingly 75% of ACF survey respondents expect steady or rising income levels over the long term.

Prospecting for Gold Millionaires

Prospecting for Gold currently holds or accesses factual information on around 250,000 individuals with sufficient liquid assets to meet our definition of a UK millionaire.

These liquid assets include a combination of:

- cash
- investments
- shares
- remuneration
- other holdings
- property aside from their main home

These individuals are UK based where sufficient information exists in the public domain to arrive at a reliable and accurate estimate of their wealth.

A Family Charitable Trust Explained

Put simply, a family charitable trust is a legal mechanism for an individual or family to structure their philanthropic efforts formally in a tax efficient manner. Legally they must fulfil the same criteria as any other charity, trust or foundation.

Like other charitable entities there is no lower starting limit so a family trust can be established with a small amount of funds and grown over time, or endowed with a large gift to kick start giving. The most enticing benefit for many individuals with their own charitable trusts are the tax concessions available. The process of writing the trust deed provides a prime opportunity for planning the family philanthropic priorities.

Founding a charitable trust can provide the chance for a family to come together as trustees to plan the future of their giving, and provide a philanthropic education to the younger generation.

Giving it all to Family Trusts

Rich people in the UK use family charitable trusts actively to channel their giving. Many wealthy people with assets over £25m use them in various forms for some or all of their giving. The more wealthy the person or family, the more likely they are to have a family trust and to direct their philanthropic giving through it.

A most interesting type of Family Trust is those set up by wealthy people who are still active in business, or who have a trust which is used to channel charitable gifts. As such families have a steady income of new wealth they tend to be more flexible and are often more open to varied cause areas and less tied to a set ratio of grants to assets.

Increasingly we see in the accounts of family trusts, them being used to make large individual gifts, where the money for the gift has been provided from new income rather than trust assets.

The Generosity of Family Trusts

Family Charitable Trusts can be very generous in terms of the level of gifts made as a percentage of their assets. Often the minimum family trusts will give in any year will be not less than 5%.

Increasingly we are seeing Family Trusts being used to make major gifts to specific causes, which are many times greater than the total assets of the trust. This is particularly true of trusts set up by people who are still active in business or who have a wide range of shareholdings providing very large regular dividend income.

The asset value of a Family Trust is therefore often not an accurate indicator of the potential size of gift. There are examples of gifts of over £1 million through trusts with assets of only £100,000.

Family Trusts indicate active giving and in a great many cases, major giving. These are the interesting prospects and ones not to ignore.

One note of caution however; never underestimate the extent to which the founder of the Family Trust, particularly if he or she is younger than average, will want to be part of the solution to your problems. Hands-on philanthropy is gaining in popularity!

Philanthropic Tastes

There are, broadly speaking, two main types of Family Charitable Trusts; those that publish the causes they support and those that keep that information private.

It is the second type of trust, which should interest the major gift fundraiser. The research, conducted for this digest, shows giving patterns which are relatively unstructured in terms of gift size and frequency.

The gifts are most often of a personal nature, which match the donor's tastes and interests. If the trust has been created by a married couple, the gifts may be quite varied, reflecting their individual and often diverse interests. These trusts can provide major gift fundraisers with two pathways where giving decisions are made jointly.

The key message for fundraisers is not to discount private trusts where the past gifts have been given to different causes or the individual has previous interests in other areas.

Unrealised Potential

Private Trusts offer significant potential for major gift fundraising. Trusts should not just be confined to the Charity's fundraising department.

As more and more wealthy people set up a private trust to support their philanthropy, more information can be gathered about their giving and the potential size of gift.

The existence of a private trust is a clear indication of an active and committed major donor. If a wealthy person has set up such a trust and is the decision maker, they are an excellent prospect.

If the full potential of this type of major donor is to be realised then Private Trusts need to form an integral

Prospecting for Gold

For 20 years, Prospecting for Gold has been helping organisations learn more about the wealth and influence of their supporters, clients and customers. Once identified, Prospecting for Gold helps the organisations develop successful relationships with these wealthy individuals.

Prospecting for Gold also uses its data sources to compile new prospect lists from criteria provided by the client. Since launching, Prospecting for Gold has helped its clients raise over £200 million.



Contact:

Andrew Thomas, Founder
Prospecting for Gold Ltd
Tel: 01491 577311
Email: andrew@prospectingforgold.co.uk

James Redhead
Prospecting for Gold Ltd
07785 273765
james@prospectingforgold.co.uk

prospectingforgold.co.uk

© Prospecting For Gold MMX