



The Arnold Foundation

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Improving the Integrity of Prescribed Private Funds

Introduction

The Arnold Foundation was established on 5 March 2008 as a charitable fund in memory of Marion Arnold.

Marion Arnold dedicated her life to affirming the basic principles of peace, and social and economic justice. She promoted meeting the needs of the frail elderly and other vulnerable members of society, provision of medical assistance to the needy, protection of the environment, support for the arts, especially instrumental and vocal music, nonviolence, human rights, peace studies, peace building, conflict resolution, international and community development, dialogue of civilizations, and interfaith events. The Arnold Foundation seeks to continue her work.

Guidelines

The Australian Government currently proposes improvements to Prescribed Private Funds (PPFs) by legislating the PPF Guidelines, bringing the administration of PPFs under the control of the ATO, giving the ATO greater regulatory powers, and setting minimum compulsory distribution levels.

An important aspect of Prescribed Private Funds (in the new legislation they are to be renamed Private Ancillary Funds) is that their intent is to establish a mechanism to provide benefits to civil society *in perpetuity*. This is certainly a goal of The Arnold Foundation.

To achieve the goal of distributing significant funds for philanthropy, and to ensure their longevity, PPFs should be allowed to accumulate funds over the time they exist.

The guidelines for PPFs call for a compulsory distribution of 15% of the previous year's closing value of the fund. This figure of 15% is greater than can be sustained by many PPFs and will cause them to run down quickly and to cease to exist, contrary to the purpose in establishing them.

A minimum figure of 5% of the previous year's closing value of the fund may be more appropriate. However, even with this figure, there would need to be some flexibility built into the system. The current financial crisis demonstrates there may be unanticipated circumstances where donations and earnings are such that such distributions would adversely affect the PPF. Also in the first few years of establishing the PPF the minimum figure may need to be lower in order to achieve stability in the PPF's operations.

The current requirements for reporting to the ATO seem to be adequate for ensuring accountability. Other details, such as funding preferences, should remain private.

There is no need to introduce fit and proper person criteria for trustees.

G. Dale Hess
Trustee
The Arnold Foundation
27 May 2009