



The
Catherine Freeman
Foundation

23 December 2008

Manager
Philanthropy & Exemptions Unit
Personal & Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Improving the Integrity of Prescribed Private Funds

We refer to Treasury's November 2008 Discussion Paper relating to prescribed private funds. Please find attached the Catherine Freeman Foundation's submission relating to this Paper. The Catherine Freeman Foundation was established in 2007 to create pathways to a brighter future for indigenous children.

We are very concerned that the suggestions in this Discussion Paper will potentially have a significant adverse impact on giving in Australia and ultimately the community sector. We should be encouraging families to build traditions of giving in this country and engage with their community, not providing disincentives to do so.

Yours faithfully,

Andrew Cannon
Chairman

ABN – 84 125 810 568
11/446 Collins Street, Melbourne, Vic 3000
0412 093 077
www.catherinefreemanfoundation.com

**IMPROVING THE INTEGRITY OF PRESCRIBED PRIVATE FUNDS
THE TREASURY – DISCUSSION PAPER, NOVEMBER 2008**

**SUBMISSION BY THE CATHERINE FREEMAN FOUNDATION
- December 2008**

- The introduction of PPFs in 2001 has resulted in hundreds of families creating a tradition of strategic giving within our community.
- We believe the rules suggested in Treasury's Discussion Paper to:
 - distribute as much as 15% of the closing value of the fund each year, effectively eliminating perpetuity; and
 - make PPF contact details available publicly,

will result in the following:

- close down the majority of existing PPFs within a 15 year period;
 - very few new PPFs will be established; and
 - significantly reduce giving in the medium/long term in this country.
- One of the major reasons for families establishing PPFs is to engage with the community in a strategic way over a long period of time, including many generations. Depending on various assumptions, a distribution rate of 15% per annum will result in PPFs having an immaterial corpus within approximately 10 years, resulting in the Foundation being closed.
 - Philanthropy requires a long term approach to major issues facing the community. Lack of perpetuity will make this very difficult and certainly result in a short term focus.
 - We believe a reasonable distribution rate to be 5% per annum. This will ensure at least 5% of the corpus reaches the community each year and allow PPFs to accumulate funds over a reasonable period of time so that the annual distribution can be meaningful in amount. This will maximise the long term benefit to the community. It is similar to the rate used in the USA.
 - If PPFs are required to publicly provide their contact details we believe they would be inundated with requests for funds. We understand that there are over 24,000 deductible gift recipients ('DGRs') in Australia.

ABN – 84 125 810 568
11/446 Collins Street, Melbourne, Vic 3000
0412 093 077
www.catherinefreemanfoundation.com

Notwithstanding that a proportion of these may be ineligible to receive gifts from a PPF, once a list of PPF addresses is made publicly available we would expect a vast number of these DGRs would likely write to each PPF seeking funding. We understand most PPFs, to minimise costs, do not employ staff, however, if PPFs are to be inundated with funding requests it is likely that staff would need to be employed to manage this process. This would have a material adverse impact on grants made by PPFs to community organisations.

- We should be encouraging families to commence traditions of giving, not discouraging them, as the proposals in the Discussion Paper will do.

ABN – 84 125 810 568
11/446 Collins Street, Melbourne, Vic 3000
0412 093 077
www.catherinefreemanfoundation.com