

The New Zealand Support Report

JBWere

The current state and significance of giving
in New Zealand and the outlook for recipients

John McLeod

February 2020



In collaboration with



Philanthropy
New Zealand

Tōpūtanga Tuku Aroha o Aotearoa

Foreword



In 2017 we launched the 'JBWere New Zealand Cause Report' – a first-of-its kind analysis into the evolution of the for-purpose (historically referred to as the “not-for-profit”) sector in New Zealand. As a leading provider of holistic investment, governance and strategy advice to the sector, we conducted this research to be better able to advise our for-purpose clients. More importantly

however, we wanted to ensure that everyone in New Zealand society had a deeper understanding and appreciation of the critical role this sector plays in our country. It is deeply satisfying to note that The Cause Report continues to be utilised by all parties engaged in and around the for-purpose sector as a valuable input into education and strategy development.

The Cause Report was a catalyst for discussion and debate across the ecosystem of the sector. We met with social enterprises, philanthropists, Government, and the Business community – all united in their vision to make this sector more impactful. These meetings led to deeper discussion around two key issues:

1. The scale and sustainability challenges driven by the concentration of income and assets in the top 10% of organisations; and
2. The role of philanthropic support in the context of the above challenge.

Whilst the first issue is a product of the historical evolution of the sector and the feedback loops within the broader ecosystem, we knew further work was needed to explore the shape of giving in New Zealand.

After more than a year of research and analysis, we proudly present The New Zealand Support Report – an in-depth analysis of the changing face of giving in New Zealand. The report explores:

- How philanthropy is quickly evolving in New Zealand;
- The types of givers who support each cause area and those cause areas' reliance on philanthropic income;
- The dramatic difference in who, why, where and the way support is provided across donor segments; and
- The need for rapid evolution amongst non-profits to continue to attract support, particularly in certain cause areas.

Our purpose at JBWere is to give clients confidence to do what matters.

We continue to invest our resources to provide insight and advice to our clients, and assist them in delivering on their mission. Furthermore, we hold a broader intent for everyone in the New Zealand ecosystem of social and economic impact to derive benefit from this research report and be able to leverage it as a strategic tool for better informed analysis and decision making. Our ambition is that together we will make a significant difference in this sector which is so crucial to moving New Zealand forward.

Can I finally take this opportunity to thank our clients and all who have collaborated with us on the production of this report. A special thanks to the dedicated team we have in JBWere Philanthropic Services, along with Philanthropy New Zealand who have partnered with us to produce the New Zealand Support Report. The value this contribution offers, enabling a multi-source approach to providing a broad and comprehensive view of philanthropy in New Zealand, assists us achieve a more accurate mapping of the sector. I am proud of the role JBWere plays in this sector and I encourage you to engage with us and challenge our thinking by contacting the JBWere team.

Enjoy the report.

Craig Patrick
Head of JBWere New Zealand

Foreword



Tēnā koutou katoa

The giving sector is diverse and changing. It responds to the evolving needs of society; preferences of givers; and options available to give to.

Data is critical to inform us of the activity occurring and to identify opportunities and gaps, so we maximise the impact of our giving.

This report highlights that the data collected on philanthropy and grantmaking is patchy, woven together from a range of sources and in some cases estimated. Philanthropy New Zealand (PNZ) welcomes the initiative of JBWere in producing the previous Cause Report, and now this document. We thank author John McLeod for his effort in compiling this look at givers and recipients.

Like the Cause Report, this information will spark discussion and inform decision making. As well as being useful to givers, it's a reminder of the importance of volunteering. It contains valuable data for the community and voluntary sector, to support the critical social and environmental work that not for profits do.

It synergises with other data PNZ has supported or collected in the past 12 months. These include the *Social Service System: The Funding Gap and How to Bridge It* report commissioned by Social Service Providers Aotearoa. Some of the giving outlined in this report will inevitably be plugging the gap left by Government underfunding of essential social services.

Meanwhile our *Stocktake of Environmental Funding* provides a further breakdown of where environmental funding is going.

This report does not identify giving from Māori and iwi, and funding going to tangata whenua or kaupapa Māori organisations. JR McKenzie Trust research showed that less than 12 per cent of philanthropic funding was going to Māori in 2012. Specific and updated research is needed in this area. Our *Tangata Whenua and Diversity Research* commented on some aspects of our members' engagement with Māori.

The beauty of the giving sector is its relative agility to change what and who it supports when data shows the need. As this report goes to print New Zealanders are giving heavily to the Australian bushfires response, less than a year after the outpouring of generosity in the wake of the March 15th terrorist attacks.

This report also highlights the change expected when wealth transfers to a younger generation. And it's not solely younger high net worth individuals that will influence the picture – our newer generations are showing strong values of generosity. They have more giving options than solely donating or volunteering for charities, including investing in or buying from purpose-focussed social enterprise, and supporting individuals through crowd-funding.

PNZ looks forward to being part of the conversations this report generates as to how we can grow effective giving in Aotearoa New Zealand.

Sue McCabe
Chief Executive, Philanthropy New Zealand

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Executive summary

While only providing around 15 per cent of the for-purpose sectors total income the funds coming from donations, grants and bequests from individuals, private and statutory trusts and foundations and businesses have far more significance on the plans, directions and new opportunities for the sector to grow impact. This is due to the generally greater freedom in using these funds compared to other sources of income that are tied to the provision of ongoing services and goods. When we include the value of volunteering, that contribution grows to over 25% and without that support, a sector that the country relies on so much could not operate.

The New Zealand Support Report is a continuation of our deep analysis of the sector initially seen in The New Zealand Cause Report which examined overall for-purpose sector trends. This report focusses on just the income derived from philanthropy and grant making and on the cost savings provided from the significant support offered through volunteering. While overall growth rates for support are expected to remain strong and potentially even accelerate, the mix is set to change significantly over coming decades producing winners and losers among causes and even among charities within those causes.

We make the following observations:

- Total philanthropy and grantmaking is estimated at \$3.8 Billion for 2018. This is a significant increase from earlier studies. While there has been steady growth from most donor segments, our analysis suggests much more non rebate claimed private giving plus the addition of significant business giving through community investment programs has more than offset our decision to exclude Energy Trust dividends/distributions from giving numbers.
- Volunteering is undervalued and has been falling. A greater proportion of women volunteer and 65-74 is the peak age bracket. At current rates, the financial value of volunteering to the sector is 1.6 times that of all donations, grants and bequests but very few organisations put more effort into volunteering compared to seeking donations. Thinking about how to re-engineer for the use of skilled volunteering but over fewer hours will become valuable.
- The broad mass market donors currently make up just over half of total donations. This is expected to slip due to greater growth in other forms of fundraising and the falling proportion of donors among the population. However, those who are donating, continue to grow their giving at a fast rate highlighting the need for good care of existing donors.
- A National Generosity Campaign to stem the slide in both volunteering and broad mass market participation in giving is worth strong consideration.
- The causes individuals support change with their income levels.

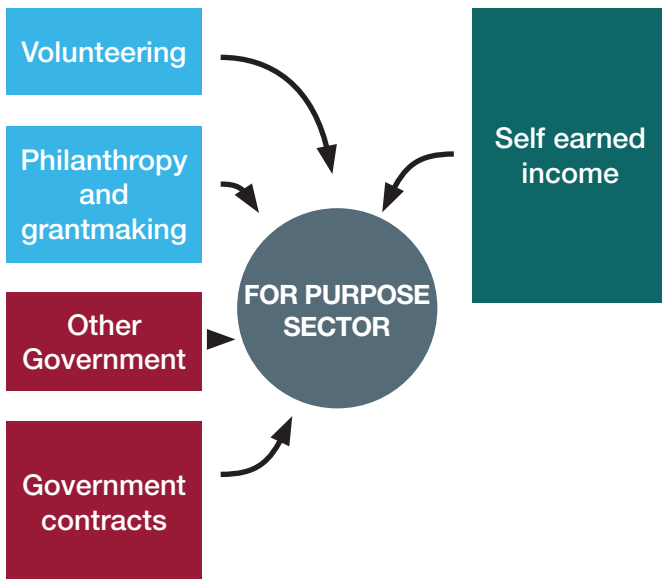
- There is great potential for growth in giving among higher net wealth individuals including through structured philanthropy. Income and wealth levels have grown strongly in New Zealand over the past two decades creating a good opportunity for increased giving as is occurring internationally. More visibility of what their peers are doing will only encourage more to take that journey.
- Bequests are set to become more significant with an ageing population and rising asset values. The introduction of a “living bequest” structure, available in the USA, would boost the share of bequests going to the for-purpose sector from the estimated \$150 billion wealth transfer over the next decade.
- A significant opportunity for growth exists among Community Foundations as knowledge of this form of giving spreads.
- Although we haven’t considered Energy Trust distributions as philanthropy, there is a growing interest, particularly among those set up as Community Trusts to grow community granting levels. They currently represent under 10% of total Energy Trust distributions.
- The Community Trust sector continues to perform well having an influence on granting and impact practice well beyond the 3% of total philanthropy and grantmaking it represents.
- Gaming machine societies and the Lottery Grants Board still provide around 16% of total philanthropy and grants.
- The corporate sector is a strong supporter of the for-purpose sector but the methods used are not as well understood by recipients or the broad population. Previous analysis has only focused on direct cash donations whereas other forms of support are much more significant. However, the skills needed to do this well are still being learned by corporates with charities even further behind in their understanding of appropriate engagement strategies.
- Fundraising is dominated by the largest organisations with the largest 9% of charities receiving 91% of all donations.
- For the receivers of donations and bequests, religion remains the main cause supported but its dominance has fallen and guided by census data, is expected to fall further.
- The largest gains have been seen in welfare and human services related sectors such as social services, community development and disabilities. We also expect to see strong growth for Universities and environmental causes.

Introduction

Philanthropy and other grantmaking support, through donations plus volunteering, are an essential part of the operating model of the for-purpose sector, which is in turn an essential part of our society. However, it is not an activity well understood by most people and increasingly isn't seen as important or supported by growing numbers. For those closely involved in either seeking or using that support, there are many significant changes taking place that are altering the face of giving and the skills needed to attract it.

In our 2017 publication, The New Zealand Cause Report, we looked at the trends in total income for the sector and saw a growing reliance on Government funding and a decline in self earned income with private support having a relatively flat share. This was cause for concern as it is unlikely that the Government provided share of the sectors income will continue to grow at historic rates. It was also an issue that the risk or innovation capital in the sector, mostly provided by philanthropy, might be used instead to cover funding gaps rather than be used in its most valuable way, doing things that other dollars can't. When we look at the sectors income mix (Diagram 1) we can see the important, but unique, position that philanthropic and grantmaking support plus volunteering plays in our for-purpose sector.

Diagram 1 – Sources of funding to for-purpose sector



Source – Charities Services, JBWere Philanthropic Services

This report is divided into two segments. Firstly, the Givers where we examine the different areas of support provided, looking at their current size and trends and offer a view on the likely elements that will shape future growth. We include volunteering among the Givers but then particularly focus on the financial aspects of support. We contrast the languishing broad mass market with the stronger trends being seen in high net wealth and structured philanthropy. We also explore the changes in corporate giving and the promise ahead from bequests. In addition we look at the ongoing reliance on statutory trusts and gaming for support.

The second section of the report focuses on the Receivers of support. We examine the current size of different cause areas, their share of philanthropy and other grantmaking support, the differences in reliance on donations and the trends driving their likely future growth. We highlight which sectors should benefit from the changes in support and those that may struggle. We also look at the concentration of donations and bequests received among the larger organisations.

Finally, we look at data sources for giving in New Zealand and compare the changes seen in this report to previous giving studies.

The Givers

Many casual observers of New Zealand's for-purpose sector view donations as the dominant source of their income and think of the donors as a broad, homogenous and large section of the community. The public face of donations are often large annual appeals and events. The reality is that donations come from a wide range of sources each driven by different motivations, growing at varying rates and supporting a range of very separate causes. This first section of The New Zealand Support Report examines the range of givers, their size, growth trends and differing characteristics including which causes and type of organisations are more likely to be supported in the future.

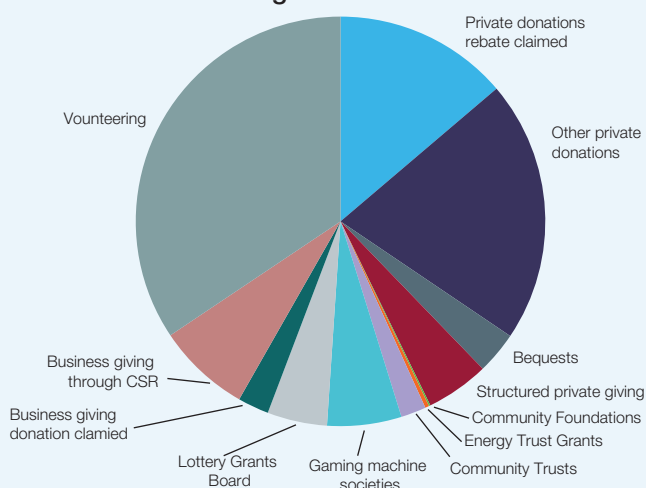
“Support in the form of donations, grants and volunteering comes from a diverse range of individuals and organisations all growing at different rates and favouring separate causes.”

Relative size of each donor segment

We have included the very large and often undervalued contribution of volunteers in comparing the size of support provided by each donor group. While we do focus on the levels of financial support, it is important to realise the vital contribution made by volunteers to the for-purpose sector. We have provided an estimate of the size of each donor group based on a variety of sources and our own calculations. For private donors in the broad mass market (large amounts of individual donors giving relatively smaller amounts) we have made a distinction between tax rebate claimed giving and other giving. Other defined groups include high net wealth individuals (HNWI's) and structured philanthropy (including family foundations), bequests, community foundations and grants from energy trusts, community trusts, gaming and lottery granting and business giving.

Diagram 2 shows the relative size of each segment and highlights the importance of volunteering to the sector. Broad mass market individuals (shown as rebated and non-rebated private donations) are an important part of the giving pie but they certainly don't dominate it. The bequest and structured philanthropy areas of giving, while smaller, are faster growing segments of the pie, as is the relatively new community foundation sector. While we have recognized energy trusts grants, we haven't included their rebates/dividends/distributions to customers as a form of giving. The community trusts, gaming and lottery grants combine to form a unique, large and steady form of philanthropy for New Zealand. Finally, business giving through rebated claims has doubled since the last Giving New Zealand report in 2014 and we've also recognized the value of other business giving through corporate social responsibility programs. Combined, we estimate total giving at \$3.8 Billion with volunteering adding a further \$2 Billion. This represents a substantial increase from previous studies in 2014 with the changes detailed in the final section of this report.

Diagram 2 – Value of volunteering and donor segments



Source – IRD, Statistics NZ, Charities Services JBWere Philanthropic Services

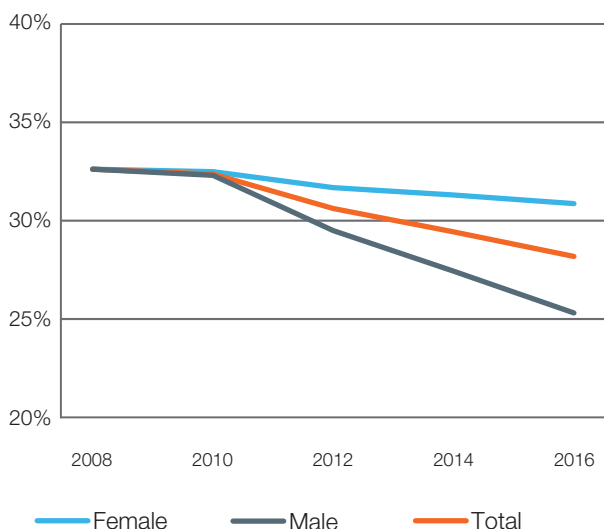
Volunteering

Given the very large contribution it makes to overall support of the for-purpose sector in New Zealand, it is worth contemplating the future direction of volunteering. While there have been numerous surveys into volunteering, drawing out consistent trends is difficult. The main source used was the New Zealand General Social Survey, conducted every two years and in most years asked about volunteering for an organisation (which is the data used). The survey also asked about volunteering for other people which was more than double the rate for organisations. The Nielsen Consumer and Media Insights Survey, conducted quarterly until September 2014, had found similar percentages from a smaller but still significant cohort. While reasonably consistent in the first few years of the survey, the rate of volunteering has fallen in more recent years and much more so for males (Diagram 3). There has also been a consistent pattern of higher female participation all of which is mirrored in similar surveys in both Australia and the USA. The combination of time pressure, growing regulation around volunteering, the increasing desire of volunteers to do skills based and “meaningful” work, lack of financial incentives (compared to tax rebates for financial donations) and preparation and support required from recipient organisations, suggests this concerning trend in volunteering may continue.

Regulatory protections such as the Human Rights Act and the Health and Safety at Work Act are important for volunteers and for organisations and beneficiaries and there is no suggestion for any weakening of them. In fact the peak body, Volunteering New Zealand, has a desire to see best practice volunteer engagement and involvement, which will be necessary to continue to attract this vital part of the for purpose operating model.

While survey methodologies differ a little, the actual rates of volunteering in New Zealand are very similar to that found in Australia (Australian Bureau of Statistics) and are above those seen in the USA.

Diagram 3 – Volunteering for organisations by gender



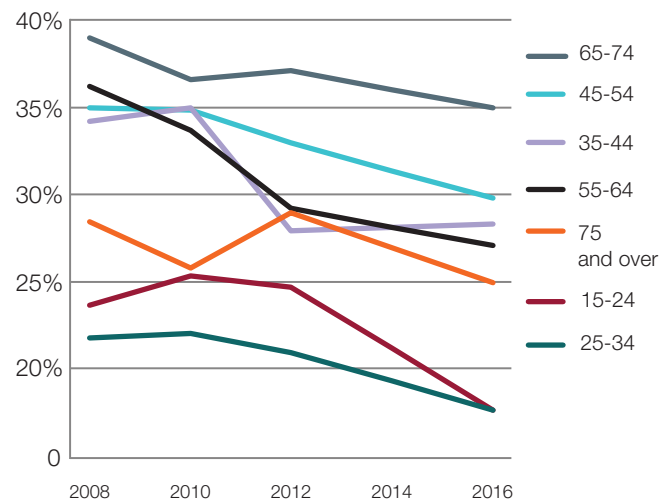
Source – NZ General Social Survey, JBWere Philanthropic Services

When we examine the trend for different ages, we also see a slide in all categories. Not surprisingly, the peak age range for volunteering is just post retirement, 65-74 (Diagram 4). The next highest age ranges, 45-54 and 35-44, are often moved to volunteering through their children’s activities.

The causes that are supported by volunteering are widely spread, however surveys in both New Zealand and Australia have found recreation (mainly sport) is the most common followed by education (mainly primary and secondary). Religion, social services/welfare and health/medical research/fundraising are the next most common. A similar order is seen if examined by number of hours rather than number of people except for education which sees lower hours per person than some other causes.

For-purpose organisations who rely on volunteering as a significant part of their operating model need to be aware of these trends and plan for changes such as having more skills based and better planned and resourced support recognizing that the future may involve a smaller proportion of the population volunteering for fewer hours.

Diagram 4 – Volunteering for organisations by age



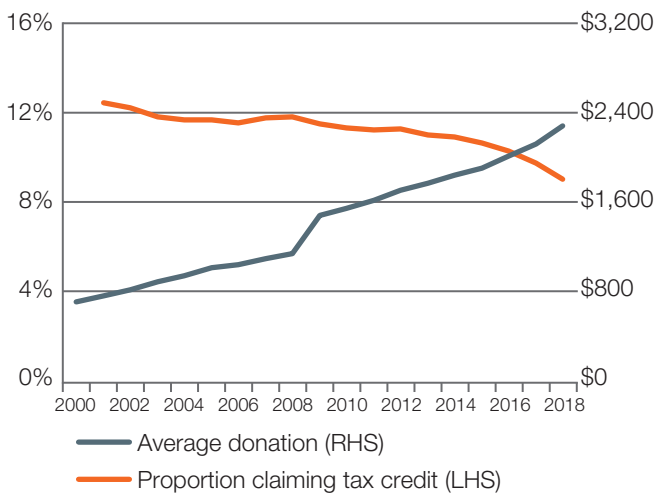
Source – NZ General Social Survey, JBWere Philanthropic Services

“Volunteering is particularly important to the for-purpose sectors success, but changing trends highlight the need for adjustment and investment in this valuable resource.”

Broad mass market donors

In most countries, the majority of giving is from the broad population and is typified by a large number of people giving relatively smaller amounts either via tax rebate-able/deductible donations or by participating in activities which are organized by, or raise funds for, charities and non-profit organisations. This broad based, mass market fundraising is an important but increasingly difficult and competitive area for organisations and the financial returns on investment, while still attractive, have consistently fallen over time. Studies on amounts raised per dollar invested for a consistent set of large international aid agencies in Australia showed a near halving of returns since 2005. While representing less than half of mass market donations, the consistent information available from the New Zealand Inland Revenue Department (IRD) on rebates claimed in annual tax returns provides a very useful, consistent picture of the trends in this area (Diagram 5). The good news is that the annual amounts claimed for donations per donor has grown well in excess of inflation. We saw a jump in the level of average donation in 2009 when the cap on rebates was removed and there has been a strong and consistent growth in support over time. The bad news is that those donors haven't yet inspired others to join in the joy of giving. The proportion of taxpayers claiming tax rebates for donations has been gradually slipping over the past two decades. While this is only a measure from those filing non-compulsory tax returns, it mirrors trends seen in many other countries such as the USA and Australia where those donating are doing it more and more generously but their proportion in the population is falling.

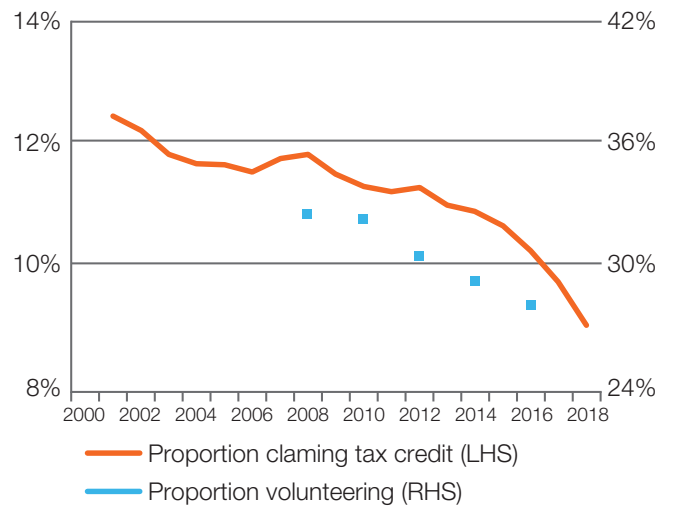
Diagram 5 – Proportion claiming rebate and donation value



Source – IRD, JBWere Philanthropic Services

When we compare the donation data to trends in volunteering (Diagram 6), we see a very similar pattern. This is not surprising as we are talking about the same broad population in both cases. We've discussed some of the reasons for the fall in volunteering participation rates and when we add broad cost of living pressures and an increasing lack of understanding of the importance of the for-purpose sector to the quality of our lives, it should be expected that we would see a strong relationship between the two measures of private support. To reverse these worrying trends requires a national coordinated campaign which explains the link between the quality of our lives and a well supported "third" sector (in addition to the Government and business sectors). Rather than just highlighting the need, which we often do when looking for support, we also need to focus on the positive personal outcome to the supporter. We need to demonstrate how it makes their life better if there is a strong for-purpose sector.

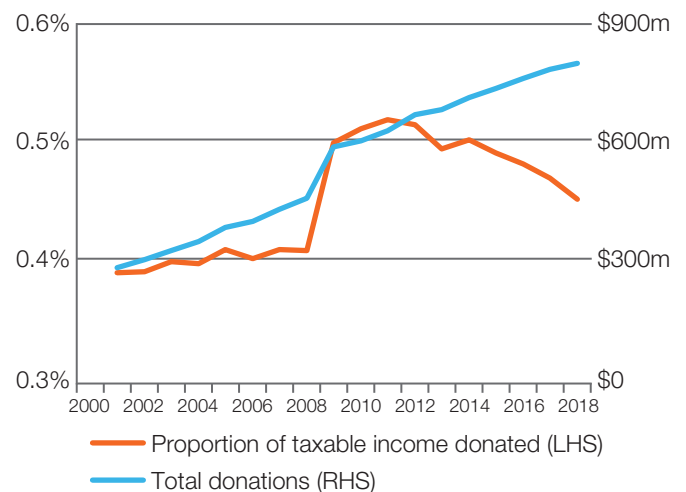
Diagram 6 – Proportion claiming rebate and volunteering



Source – IRD, NZ General Social Survey, JBWere Philanthropic Services

When we examine the total amount of donations claimed through tax rebates we see a healthy increase over time with a jump when the cap was removed in 2009 (Diagram 7). This is despite the fall in the proportion claiming the rebate, again highlighting the importance and generosity of existing donors. The increase from \$291m in 2001 to \$802m in 2018 represents an annual gain of 6.2% over 17 years, well above inflation. Somewhat offsetting that gain has been the fall in the proportion of taxable income that has been donated. There had been a very gradual increase from 2001 to 2008 which jumped substantially with the removal of the rebate cap. However this gain has steadily been eroded in the subsequent decade.

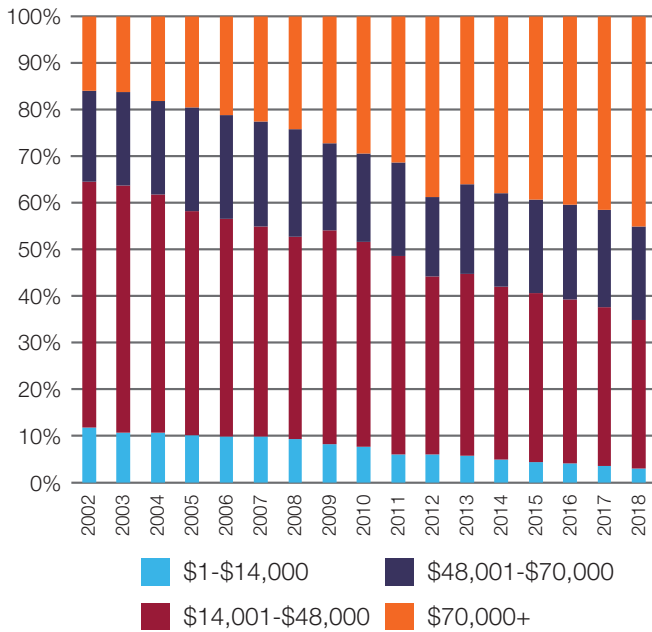
Diagram 7 – Total donations and proportion of taxable income donated



Source – IRD, JBWere Philanthropic Services

Diagram 8 looks at which tax bracket rebate claimed donations are coming from. Bracket creep and wage growth have meant a greater proportion of donations are now coming from those earning above \$70,000 annually.

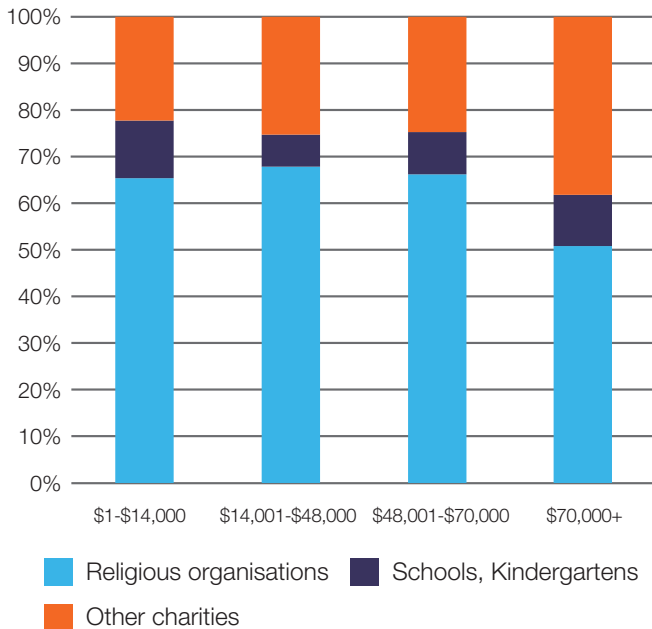
Diagram 8 – Breakup of rebates claimed by tax bracket



Source – Statistics New Zealand, JBWere Philanthropic Services

Interestingly, the causes supported at different income levels varies with those on higher incomes showing a slightly lower level of support to religious organisations (the major beneficiary of philanthropy in most countries) than those on lower incomes, although the overall level is still very high (Diagram 9).

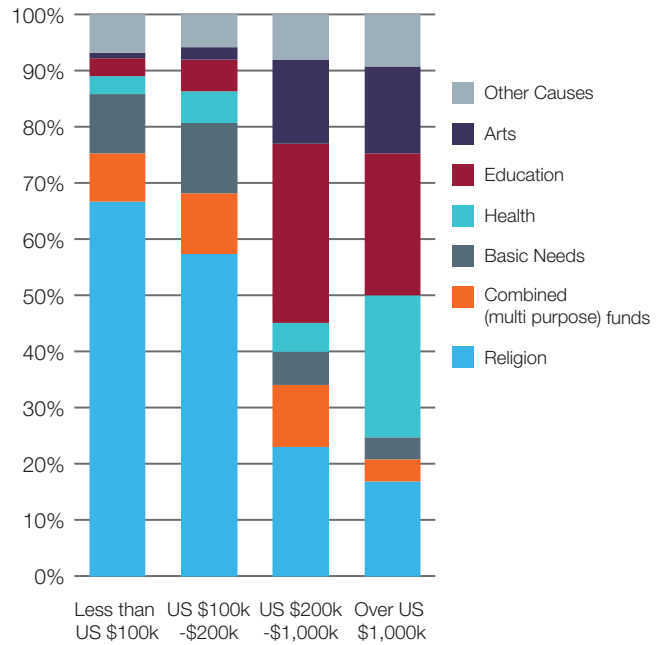
Diagram 9 – Breakup of causes supported through rebates by tax bracket



Source – Statistics New Zealand, JBWere Philanthropic Services

This observation mirrors studies done in other countries where there has been research showing that the causes supported also change with income. Diagram 10 shows how the causes supported in the USA change considerably as income levels rise. Giving to religion falls and support for education (largely Universities), arts and health (including medical research) rises with income levels. We see similar patterns in Australia when we compare the giving from its largest 50 donors, compiled by JBWere, to broad mass market causes supported.

Diagram 10 – US % giving cause-income US giving by cause and income for support



Source – Patterns of Household Charitable Giving by Income Group, 2005 - The Centre on Philanthropy at Indiana University, JBWere Philanthropic Services

“Individual giving patterns are changing with a smaller proportion giving but doing it even more generously, highlighting the need for new ways of encouraging and highlighting the pleasure of giving.”

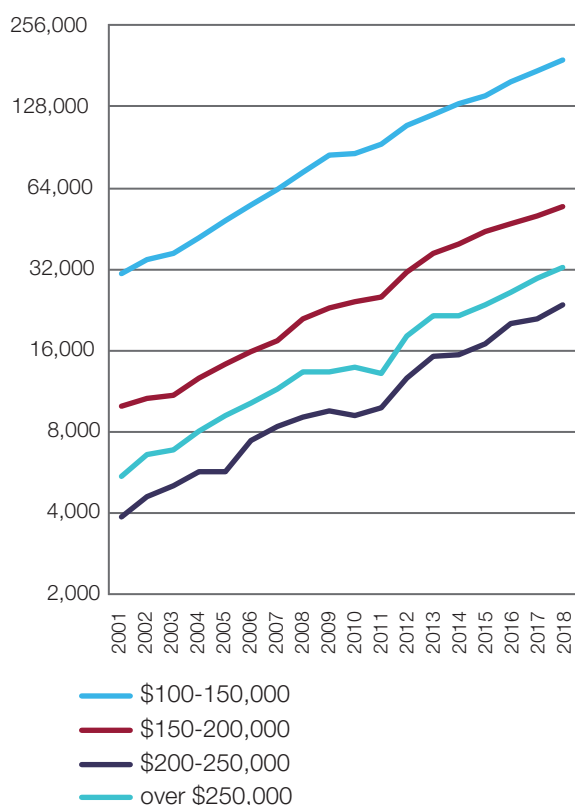
Structured Philanthropy and High Net Wealth Individuals

There has been considerable growth globally in giving by higher net wealth individuals and families, often done through the use of a structured giving vehicle such as a charitable trust or Foundation. In New Zealand we estimate this totals almost \$300m annually and provides just under 8% of total philanthropy and grantmaking. While this is below the 18% provided in the USA, it only saw 6% coming from Foundations in the early 1980s but with large increases in wealth there we've seen significant increases in more recent years.

While many of the larger, long established family names in New Zealand philanthropy have used charitable trusts to better structure their giving, there are also vehicles available for smaller donors or those not wanting to "handle the paperwork". We discuss the growing trend for Community Foundations in a later section, but there are also trustee companies such as Perpetual Guardian who manage almost 600 charitable trusts granting over \$30m annually and Public Trust which manages over 410 charitable trusts. There are also many who make very large single gifts to particular causes, often Universities, hospitals or medical research.

New Zealand may be in the early stages of seeing some large increases in giving from the wealthy. When we look at the growth in individual's income over time (Diagram 11) it shows the solid rise in the number of taxpayers with incomes above \$250,000. There are many here with the potential to begin a substantial lifelong philanthropic journey, especially while they have higher income levels and are able to commence a living legacy during their lifetimes.

Diagram 11 – Taxpayers by income bracket



Source – IRD, JBWere Philanthropic Services

If we look at estimates of net assets (Diagram 12), we also see the rapid growth over the last seven years in the number of people with high levels of wealth. There is potential for many to allocate a slice of their wealth or annual income for philanthropic purposes. One way of encouraging more giving from the wealthier end of the population is to have examples of what their peers are doing. In Australia the Australian Financial Review began an annual special edition devoted to giving and JBWere puts together a list of the Philanthropy 50, the fifty largest givers in that year. In the three years of compiling the list we've seen the cut off to make the list rise 20% to \$3.5m and in the last year, the total gifts from the 50 rose by 20%. A little friendly competition has encouraged new names to consider philanthropy and as importantly, seen many larger but quiet donors start to talk more about their philanthropy in the hope of encouraging others and gaining further support for the causes they care about.

Diagram 12 – New Zealanders by wealth

Net Wealth	2018	2011	Increase
US\$1-5 million	140,299	57,435	144%
US\$5-10 million	9,150	3,782	142%
US\$10-50 million	4,637	1,929	140%
US\$50-100 million	302	127	138%
US\$100-500 million	153	65	135%
over US\$500 million	16	6	167%

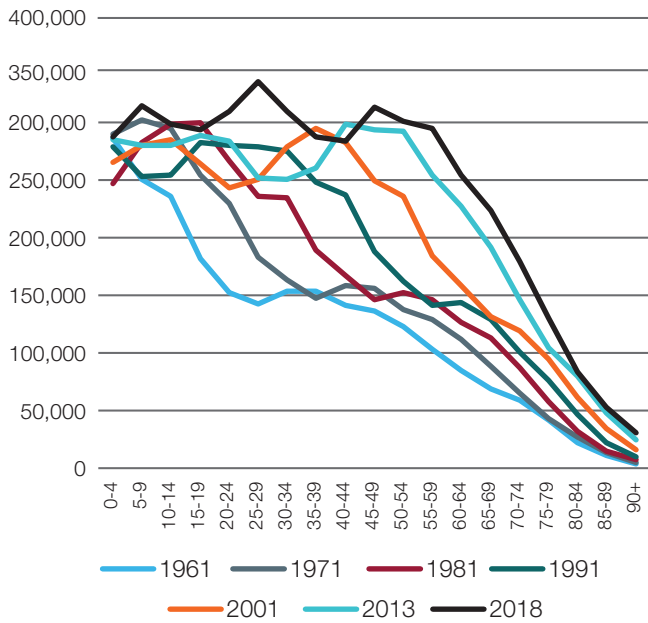
Source – Credit Suisse Research Institute

There is also no doubt that taxation and the availability of suitable giving vehicles help encourage more philanthropy. Australia saw the introduction of the Private Ancillary Fund (PAF) in 2001 which mostly mirrors the laws governing private foundations in the USA. They are required to distribute a minimum of 5% of net assets each year to eligible charities and enjoy a tax free status for income and gifts to them receive a full tax deduction. The existence of a capital gains tax in Australia has also provided financial encouragement for individuals to establish PAFs. After 18 years of operation this vehicle alone provides around A\$500m of annual donations from an asset base of A\$10 Billion and has encouraged 1,760 individuals and families to embrace philanthropy in a way and scale they had not previously.

Bequests

Leaving a gift to charity in your will is usually the single most significant level of support provided by donors over their lifetime. The combination of an ageing population and the so-called "baby boomer bulge" (Diagram 13) as the number of older New Zealanders rise, plus increasing asset values with significant gains in property prices, point to strong gains in bequest values in the next two decades. This is part of the massive wealth transfer taking place in many western countries and should provide a strong boost for charities. While many causes will benefit, it is particularly helpful in some cause areas, such as animal welfare where bequests have historically provided a large proportion of total income.

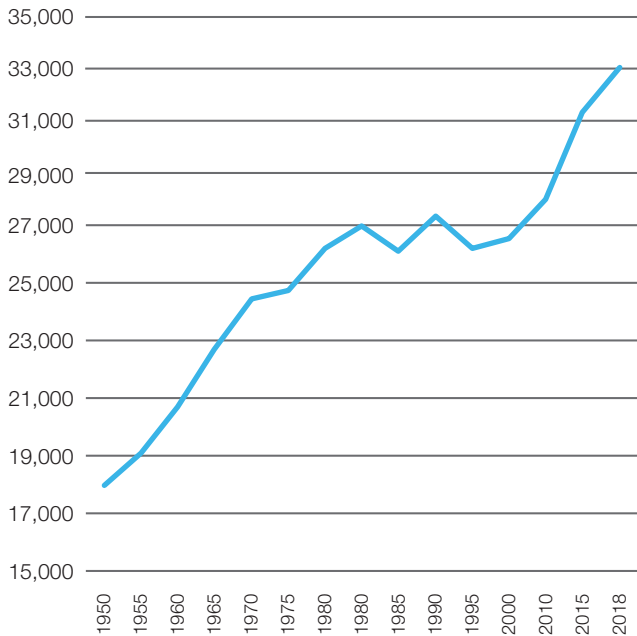
Diagram 13 – New Zealand population by age 1961-2018



Source – Census of Population and Dwellings, JBWere Philanthropic Services

The growth in the expected number of annual deaths in New Zealand is likely to rise steadily from the current 33,000 (diagram 14). Historically around 1.4% of assets are left to charity, providing a good potential revenue source for the sector from the estimated \$150 Billion wealth transfer over the next decade.

Diagram 14 – Annual deaths in New Zealand



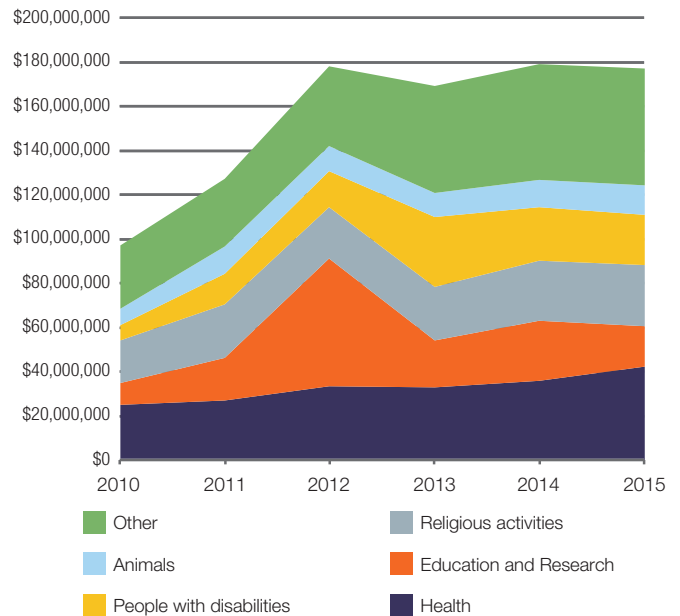
Source – Statistics New Zealand, JBWere Philanthropic Services

There have been few studies into the scale of bequests in many countries, however Charities Services did record bequest donations to charities from 2010 to 2015. While it is hoped this data will again be collected, it did highlight the scale of bequests and more importantly, the cause areas receiving them (Diagram 15): Interestingly, only 800 charities recorded receiving bequests, under 4% of the total number of charities. In terms of total scale and estimating to 2018, we expect total bequests to be currently around \$200m annually in New Zealand. While volatile from year to year, health, education and religion

have been the largest beneficiaries. However, when looked at from the perspective of the importance of bequests to a cause areas total income, care and protection of animals was by far the largest beneficiary with around 25% of total income coming from bequests. International aid, people with disabilities and environment followed but all were below 5% of income.

Another attraction of bequest income is that the financial return to charities from bequest programs is usually the highest of all forms of fundraising. A study by fundraising consultants AskRight in Australia compared the ROI from various fundraising activities and found bequests much higher than all others with areas such as events and lotteries/art unions at the bottom. This is partly due to the large number of bequests received “out of the blue” and not requiring the same level of on-going investment as other forms of fundraising and partly due to their larger average size. Typically for bequests there is no known prior contact with the donor. This means things such as charity name recognition, trust and the ability to demonstrate how a person’s legacy might be remembered, become important in positioning for bequests.

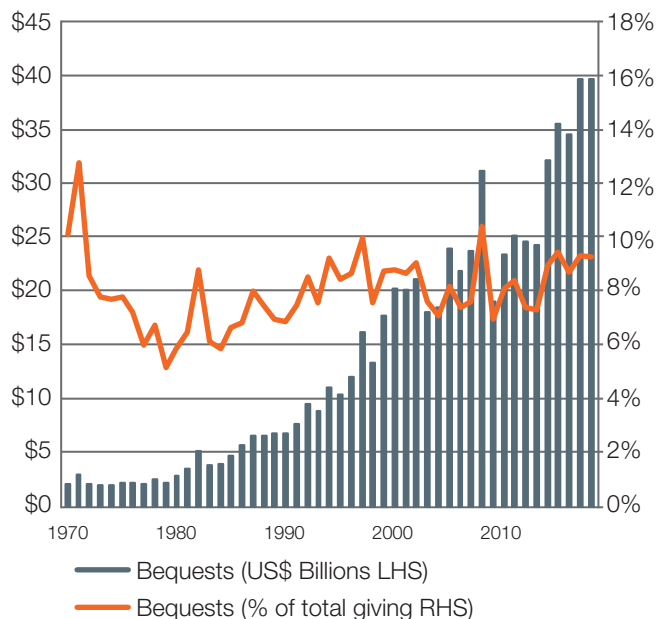
Diagram 15 – Bequests to charities by cause



Source – Charities Services, JBWere Philanthropic Services

In the USA, bequests have been consistently around 9% of total financial donations and are currently worth around US\$40 billion annually (Diagram 16). The beneficiaries of bequests were spread across the charitable sector but led by religion at around 24%, animals at 20% and community at 16%. In the USA we also see a form of “living bequests” where the donor enters a contract with the charity agreeing to leave a bequest on their death and in exchange, the IRS provides a calculated level of tax deduction. This encourages more people to leave a bequest and gives the recipient charities more certainty of future income streams. The potential for growth in bequests in New Zealand could be further enhanced by an examination of incentives, especially at a time of much greater intergenerational wealth transfer.

Diagram 16 – Bequests in the USA 1970-2018



Source – Giving USA, JBWere Philanthropic Services

Community Foundations

While a relatively young movement in New Zealand, the concept of community foundations began over a century ago in the USA where communities came together and pooled funding to help address local issues. That concept spread to other countries and currently there are 17 community foundations across New Zealand giving 85% of the population access to giving in this way.

The structure for community foundations is that they are themselves charities and so donations to them are generally tax efficient and attract a rebate. When donations are made a donor can establish a named fund and have it invested in a long term endowment style fund and then advise where annual grants are to be made in the local community. Community foundations enable giving with strategic intent to causes which a donor chooses.

There can be many advantages to using a community fund compared to direct donations to charities. They allow for donations into the fund to be made when they are financially suited (perhaps high taxable income years or from bequests) and for grants to be made over a much longer time period, potentially involving future generations and enabling giving in perpetuity. Community foundations also provide a level of expertise in grantmaking and knowledge of local communities and local impact and take care of all administration.

In New Zealand community foundations have grown substantially since commencing in 2003 to now have a combined funds under management of over \$130m and have granted over \$20m over the last 5 years to a wide range of local causes. They also anticipate a growing number of bequests, with currently 550 committed, to add to future invested funds. The peak body, Community Foundations of New Zealand www.communityfoundations.org.nz has further information on this positive giving alternative and details of the locations of local Community Foundations.

Energy Trusts Grants

The 25 energy trusts in New Zealand have been significant contributors to customers after forming in 1992 following the reforms to electricity markets. Most of that contribution comes in the form of an annual distribution or discount to all eligible consumers in each of the regions. Since those distributions can be used for any purpose, we have chosen not to count it as a form of philanthropy for the purposes of The Support Report.

The vast majority of Energy Trusts in New Zealand are defined under their Trust Deeds as Consumer Trusts which mean their income beneficiaries are restricted to the Electricity Distribution Company they own or are shareholders of and the electricity consumers connected to their network. This is why most use a discount program to return benefits to the community or, if grants are given, they are generally energy related.

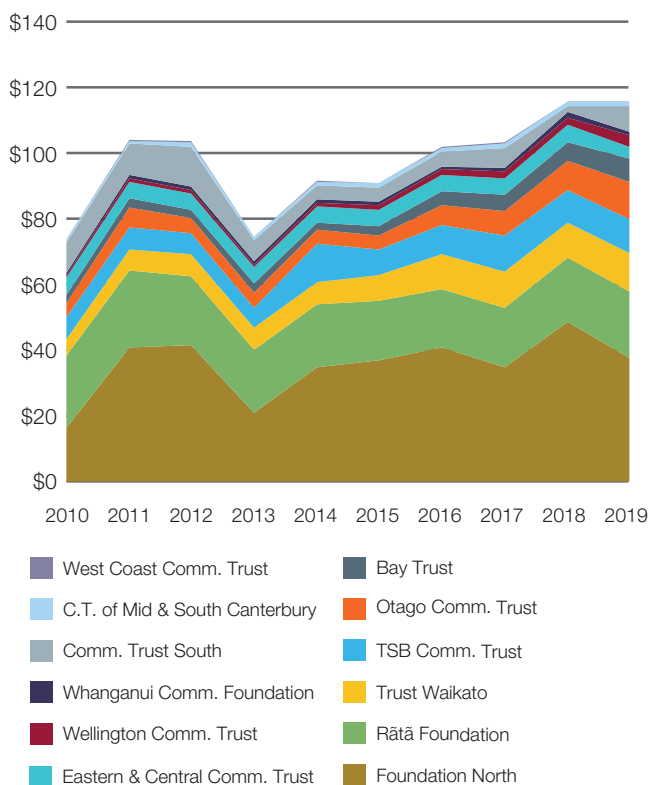
A small minority of Energy Trusts are defined under their Trust Deeds as Community Trusts and are therefore able to use income to benefit the wider community through grants to community organisations.

Trusts such as the TECT Group (Tauranga Energy Consumer Trust and TECT Charitable Trust), have a combination of grants and distributions. While groups such as Central Energy Trust, Eastern Bay Energy Trust, Rotorua Energy Charitable Trust and WEL Energy Trust are allocating even greater proportions to broader community uses and considering increasing that proportion. While currently it is estimated that under 10% of energy trust distributions go to community use, this is gradually increasing.

Community Trusts

The New Zealand banking deregulation which occurred in 1988 saw the ownership of 12 regional trust banks given to local communities by placing the assets into Community Trusts. Over time ownership changed for many of the banks with nine merged and later sold in 1996 meaning the proceeds of that sale went into the each of the participating Community Trusts. The remaining three retained their bank ownership for a time with only TSB Community Trust still retaining its bank ownership. The value of these dedicated community trusts is much more than the growing distributions made, now reaching almost \$120m annually (Diagram 17). A significant value of the Trusts to the community is in the skills and local knowledge built up over this period. Each arguably, knows their regions need and opportunity better than other granters and has the consistency of operation to have built a history of good practice. Many are also leading the way in looking at how their assets, not just their granting, can provide impact. They are actively exploring impact investment opportunities plus ensuring their investments are doing no harm to communities. Community Trusts of this nature are not common around the world but New Zealand has provided a vision of the opportunities available with foresight.

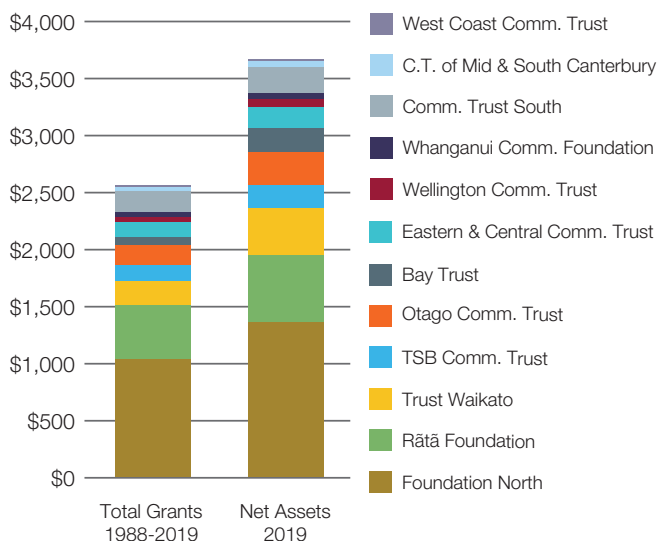
Diagram 17 – New Zealand Community Trusts Annual Granting (\$m)



Source – Various annual reports, JBWere Philanthropic Services

In over 30 years of ownership by and investment in local communities we've seen the combined value of the 12 Community Trusts grow from \$1.1 Billion to \$3.7 Billion while also making grants totaling \$2.5 Billion up to 2019 (Diagram 18)

Diagram 18 – New Zealand Community Trusts total granting and net assets (\$m)



Source – Various annual reports, JBWere Philanthropic Services

Gaming Machine Societies

The New Zealand Gambling Act – Gaming Machine Accountability Regulations, requires that gaming machine societies distribute a minimum of 37.12% of gross proceeds (turnover less prizemoney) to community projects. In 2018, the combined turnover was \$10,049m less prizes of \$9,154 from non-casino gaming machines leaving a net take of \$895m meaning that a minimum of \$332m was required to be granted. The actual total was \$341m made up of \$295m for authorized community purposes and \$46m for their own purposes. This was the largest share of gambling proceeds going for community benefit in 2018 followed by the Lottery Grants Board (see next section) and then the New Zealand Racing Board (although these grants mostly support racing club activities and infrastructure and aren't included in our giving estimates). In addition, casino's paid \$4m to their community trusts.

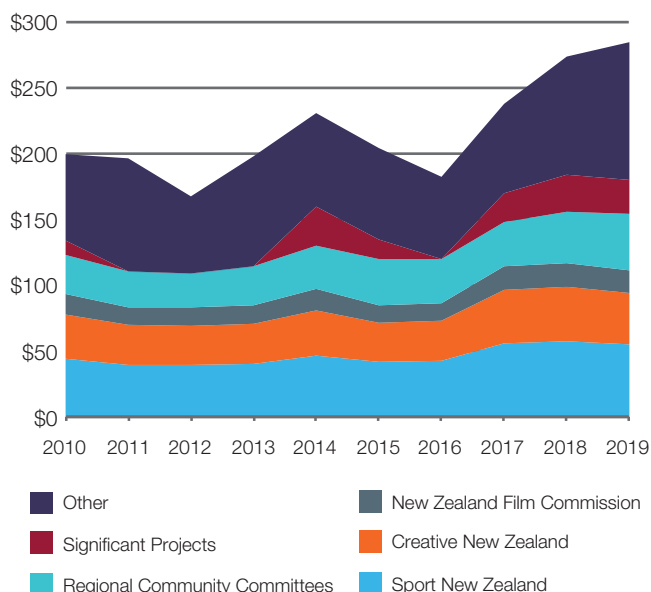
While the total of \$341m from gaming machine societies is an impressive total, it has not grown substantially over the past decade as gross gaming proceeds have only risen from \$849m in 2010 to \$895m in 2018. Those gross gaming proceeds are after prizes paid representing 91% of turnover.

Lottery Grants Board

The New Zealand Lottery Grants Board has a vision to see New Zealanders building strong, sustainable communities together. It does this through distributing the profits from New Zealand Lotteries in a "considered, responsive and timely way" and has a Board policy of allocating a minimum of 42% of annual income to various statutory bodies (Sport New Zealand 20%, Creative New Zealand 15%, New Zealand Film Commission 6.5% and Ngā Taonga Sound & Vision 0.5%).

Recent years have seen record levels of grants allocated by the Board (Diagram 19). Apart from the statutory bodies supported, there are a number of specialist committees plus both national and regional community committees to consider grant applications. In 2018, those committees, through the Department of Internal Affairs, received 4,595 applications for \$421m in funding. Of those almost 65% were successful with distributions totaling \$142m or one third of total requests.

Diagram 19 – Lottery Grants Board allocations (\$m)



Source – Lottery Grants Board annual reports, JBWere Philanthropic Services

Business Giving

Corporate support through community investment programs, whether directly from the company or via a company foundation, is different to private or other structured philanthropy. It can involve cash donations but a larger part of their giving is through volunteering and pro bono activities, in-kind support, non-commercial sponsorships and foregone revenue when low cost goods or services are provided at often significant discounts to commercial pricing. While companies can claim separately in tax returns for their philanthropic donations, this is a smaller component of their total support but has often been focused on as the only contribution made by the sector giving a false view as to their generosity. Many other countries taxation systems don't record or publish these donations and so estimates of corporate giving are derived from company sustainability or corporate social responsibility (CSR) reports, which often clearly show both the direct donation and wider giving number. In such cases, it is not uncommon to see the donations value representing only 10% of the total. Earlier business giving estimates while only quoting the IRD business giving values, did suggest that other giving was estimated at 4.7 times that value. We have used a multiple of 3.0 times the IRD value for 2018 and 2019 (Diagram 20) until further research is conducted but expect this to be conservative.

There is no doubt that the degree of support offered by the corporate sector is significant. The London Benchmarking Group (LBG), an international business consultancy (now Corporate Citizenship) specializing in sustainability and corporate responsibility, found in their 2018 annual survey of 148 members that they contributed US\$2.8 billion in community investment representing 1.0% of pre-tax profit. LBG also found that almost half the employees who volunteered in company time went on to volunteer in their own time.

In India, the Companies Act 2013 mandated that the Boards of larger companies (revenues above US\$130 million) needed to ensure the company spends at least two percent of average net profits made over the last three years in pursuance of its Corporate Social Responsibility Policy and gave preference to the local area in which it operates. With a corporate tax rate of 30%, this equates to 1.4% of pre-tax profit, a little above the LBG average. While it is unlikely that many other countries will mandate levels of corporate support, the amount invested voluntarily is roughly similar anyway, highlighting the value companies see in engaging with and supporting community.

Workplace giving, where employees are offered the opportunity to have donations directly deducted from payroll and effectively receive their tax adjustment upfront, is a more recent addition to giving options. The concept is wonderful but unless companies more actively promote the concept and senior management lead discussions, the amounts given will not reach the potential possible through this admirable system. Amounts given since 2010 are also shown in Diagram 20.

Diagram 20 – Business giving and workplace giving

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business giving donation claimed (\$m)	\$64	\$107	\$79	\$71	\$61	\$111	\$96	\$107	\$143	\$143
Business giving through CSR programs (\$m)	\$159	\$279	\$220	\$214	\$200	\$332	\$318	\$321	\$429	\$429
Total (\$m)	\$223	\$386	\$299	\$286	\$261	\$443	\$415	\$429	\$571	\$571
Employees using workplace giving	300	6,600	2,800	4,000	4,200	3,800	3,800	6,000	na	na
Av. donation through workplace giving (\$)	\$183	\$348	\$1,185	\$1,198	\$1,364	\$1,669	\$1,552	\$1,006	na	na
Donations (\$m)	\$0.1	\$2.1	\$3.3	\$4.8	\$5.7	\$6.3	\$6.0	\$6.3	\$6.3	\$8.4

Source - New Zealand Treasury 2019 Tax Expenditure Statement, IRD, JBWere Philanthropic Services

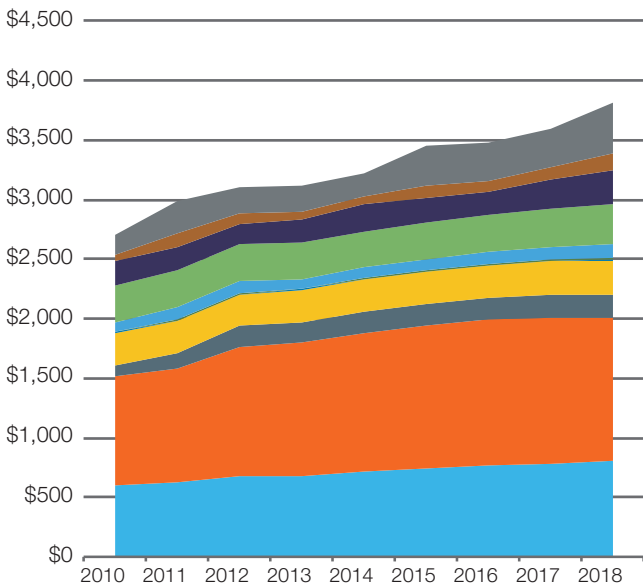
“ Giving by businesses is not well understood but is larger than previously assumed. Deeper understanding of these potential relationships will be valuable to for-purpose organisations given the size of the corporate sector and the range of assets and skills available. ”

Total Giving Trends

Total giving in New Zealand is estimated to have grown from \$2.7 billion to \$3.8 billion between 2010 and 2018, an annual growth rate of almost 4.5% (Diagram 21). Note that this analysis uses the same definitions and assumptions across each of the years. A detailed discussion of the differences between assumptions here and in previous Giving New Zealand studies is presented in a later section of this report.

Of the larger donor segments, bequests and corporate giving increased by the biggest multiples followed by Community Trusts. The Lottery Grants Board increase was in line with the overall giving increase while the private broad mass market donations and gaming machine societies saw the smallest growth. These changes along with later comments about which causes different donor groups tend to support, should be incorporated into future planning for fundraising investment allocation by for-purpose organisations.

Diagram 21 – New Zealand Philanthropy and grants by source (\$m)

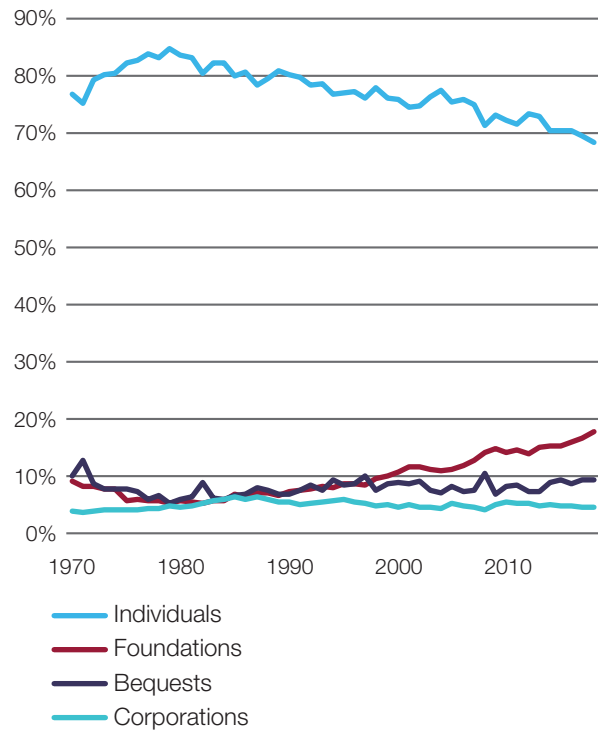


- Business giving via CSR
- Business giving rebated
- Lottery Grants Board
- Gaming machine societies
- Community Trusts
- Energy Trust Grants
- Community Foundations
- Structured private giving
- Bequests
- Other private donations
- Private donations rebated

Source – Statistics New Zealand, IRD, Charities Services, various annual reports, JBWere Philanthropic Services

It is interesting to contrast these changes in New Zealand with the much longer-term changes seen in other countries. In the USA we've seen a continuous fall in the share of philanthropy coming from broad mass market individuals, although it is still the dominant source (Diagram 22). At the same time, we've seen a strong rise from structured giving by Foundations. In Australia, The Support Report detailed that they had seen mass market decline from almost 60% in 1996 to currently around 45% of total giving while structured private giving and corporate community investment had gained share.

Diagram 22 – USA Philanthropy by source



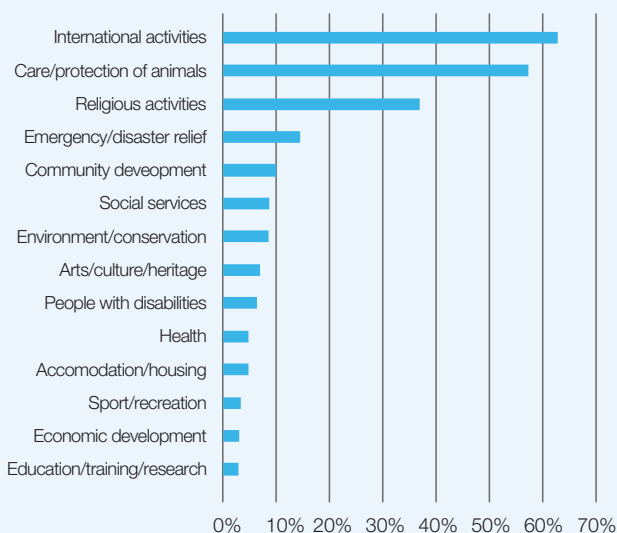
Source – Giving USA, JBWere Philanthropic Services

“New Zealand has experienced good, steady growth in giving over the past decade, but the mix of funders is changing.”

The Receivers

The for-purpose sector is not well understood relative to its importance in New Zealand society. Many perceive the various donor groups as all operating in a similar manner and giving to similar causes. This is despite it employing almost one in twenty New Zealanders and it being central to our quality of life whether it be in religion, education, health, welfare, arts, environment or sport. There are a huge range of causes covered by the for-purpose sector and each has a different financial and social operating model. The New Zealand Cause Report (Diagram 23), published in 2017, detailed the wide range of reliance on philanthropic support from 2015 Charities Services data ranging from international aid (over 60% of income) to health and education (under 10% of income). Even within cause areas, organisations see differences in support depending on their size, name recognition, relationships with Government or donors and other income sources. One thing is common though and that is the recognition that philanthropy allows them to offer a better service, either now or in the future, compared to reliance on just Government and fee for service income. In addition, there has always been a great reliance on volunteering in the for-purpose sector. Not only does it provide a third of the workforce on a FTE basis, it has been growing faster than paid employee numbers, again pointing to the reliance on public support to a sector that is not that well understood.

Diagram 23 – Proportion of income from philanthropy and grants by cause

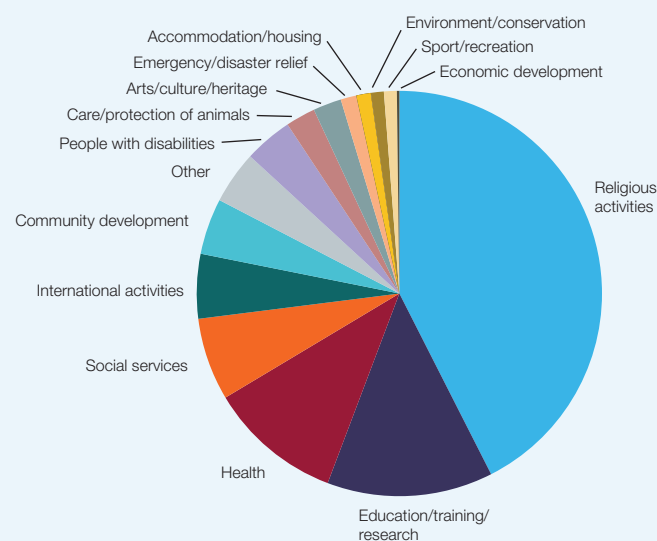


Source – Charities Services, JBWere Philanthropic Services

Relative size of charity sector recipients

Each cause area receives a very different proportion of its income from donations and bequests. The big income earning and asset owning sector's don't dominate philanthropy. As shown in Diagram 24, the largest total income sector's of education/training/research and health are behind causes such as religion and proportionally behind social services and international aid when it comes to the receipt of donations and grants. In addition, the causes favoured by some donor groups such as HNWI's or corporates are not the largest recipient sector's but instead are the medium ranking ones of higher education, medical research, arts and environment.

Diagram 24 – Philanthropy and grants by cause



Source – Charitable Services, JBWere Philanthropic Services

“Some causes are much more reliant on philanthropy for their income.”

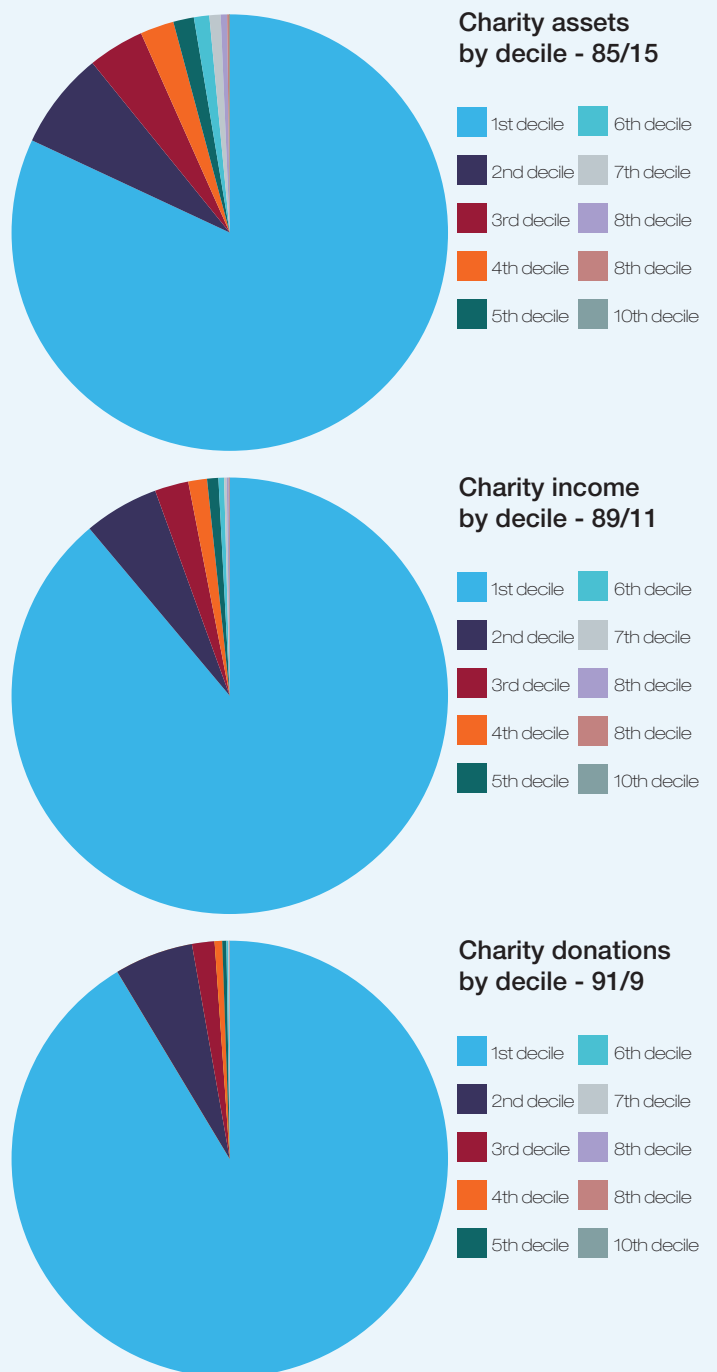
Concentration of recipient organisations

The for-purpose sector, like many aspects of society, is dominated by a small number of large organisations. This is despite the large number of charities and not for profit groups in New Zealand. One of the findings from the JBWere Cause Report in 2017 was that there was one charity for every 170 people, substantially more per capita than most other countries. Despite the large number of organisations, it is only a small proportion that dominate activity.

One of the often quoted laws of life is the “80/20 rule”, where 80% of all assets are owned by 20% of people. In some areas of wealth, there is even more concentration seen globally. The for-purpose sector is no different. If we break the charity sector into deciles we can see the domination on asset ownership (Diagram 25). For assets, we see it as the 85/15 rule, where the top 15% of organisations control 85% of all sector assets. The sector is even more concentrated when examined by income where 89% of total income sits with the top 11% of organisations. However, is most acute in donations and bequest where 91% of the total comes to the top 9% of organisations. Put another way, it means that 91% of organisations chase after just 9% of all donations. In the earlier Bequests section, we see that the concentration for bequests were ever more pronounced. The value to the organisation of incumbency, name recognition and trust in the community is extremely high.

“Big charities dominate the fundraising landscape.”

Diagram 25 – Breakup of charity organisation by decile for assets, income and donations, bequests



Source – Charities Services, JBWere Philanthropic Services

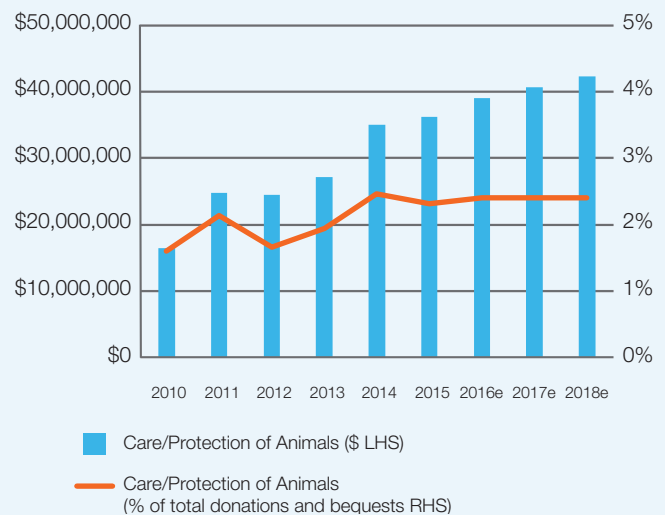
Causes

In this section we examine a selection of individual cause areas and look at their philanthropic trends over the last decade in terms of amounts raised and their share of overall philanthropy and grantmaking in New Zealand. As Charities Services has altered the data collected from 2015, we have used estimates based on total sector incomes from 2016. We also compare New Zealand philanthropic support with international trends and after considering their current supporter base, examine the longer term outlook for fundraising support.

Care/Protection of Animals

The two causes of animal protection and environment are often included in the same category and both share the same International Classification of Non Profit Organisations (ICNPO) grouping. They are similar in many respects as both are relatively small in income and assets relative to other charity sector's and both rely on heavily on donations for their income plus volunteering is high. The large difference comes in the source of those donations. The animal protection cause, particularly for the larger organisations, sees almost 50% of donations in the form of bequests, representing between 20-30% of total income. This reliance on bequests is far higher than in any other cause area. Name recognition, trust and a relatable cause for those deciding on bequests are very important factors for animal protection. Animal protection has seen a steady growth in donations and bequests over the last decade and currently enjoys around 2.4% of total donations and bequests, representing around \$40m annually, made to charities in New Zealand (Diagram 26).

Diagram 26 – Care/Protection of Animals donations and bequests



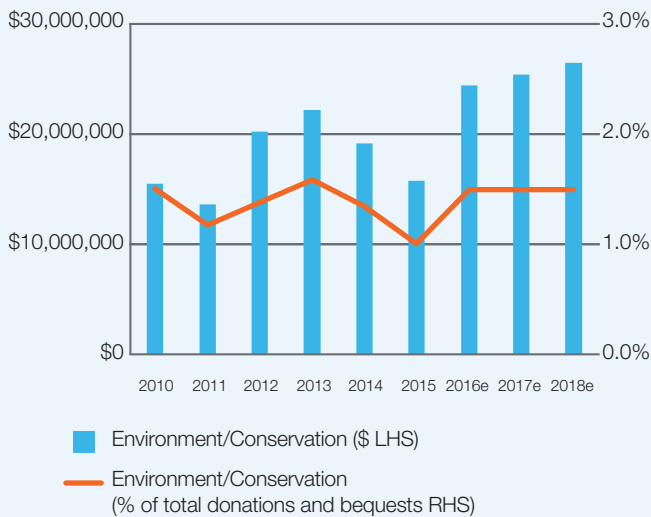
Source – Charities Services, JBWere Philanthropic Services

“Bequests are a significant part of philanthropy for the Care and Protection of Animals.”

Environment

For environment, there is a significantly different donor profile to that of animal protection with an increasing proportion of trusts, foundations and HNWI's supporting the cause. Internationally, we are starting to see the largest private donors regularly including environment amongst causes supported. Reliance on bequests is lower but volatile and has ranged between 1 and 6% of total income. This is mirrored in the level of total donations and bequests where although on a positive longer term trend, there is annual volatility. Environment currently enjoys around 1.5% of total donations and bequests, representing around \$25m annually, made to charities in New Zealand (Diagram 27).

Diagram 27 – Environment donations and bequest

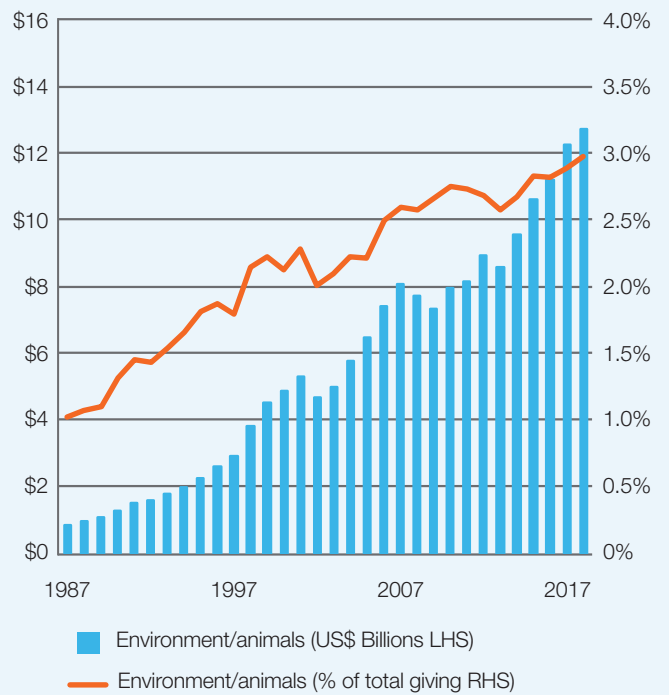


Source – Charities Services, JBWere Philanthropic Services

“We expect to see good gains for environmental charities as the future mix of funders change.”

In the USA, support for the combined causes of animals and environment has grown well over the last three decades, almost tripling its share of giving (Diagram 28). However, it still represents under 3% of giving compared with around 4% combined in New Zealand. In Australia the combined causes receive 6% of all giving while the UK enjoys around 10% largely due to strong animal cause support, Canada sees around 2% going to environment. Both causes have a significant part of their donor base coming from areas that should show good growth in coming years (bequests and HNWI's and trusts/foundations) suggesting further improvements locally, particularly for environment.

Diagram 28 – USA Philanthropy to Animals and Environment

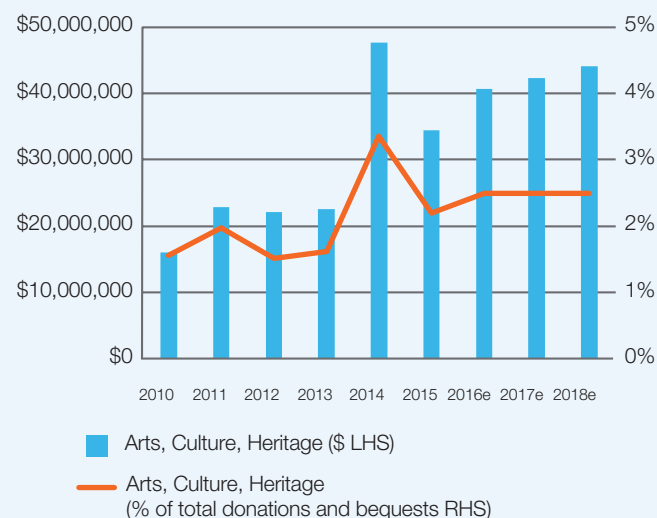


Source – Giving USA, JBWere Philanthropic Services

Arts, Culture and Heritage

Arts ranks around the middle of all cause areas for income and assets but it is higher for donations and bequests and for its reliance on volunteering which represents around half of all staffing on a FTE basis. There can be annual volatility in financial support, particularly for bequests as was seen in 2014. Arts currently enjoys around 2.5% of total donations and bequests, representing over \$40m annually, made to charities in New Zealand (Diagram 29).

Diagram 29 – Arts donations and bequests

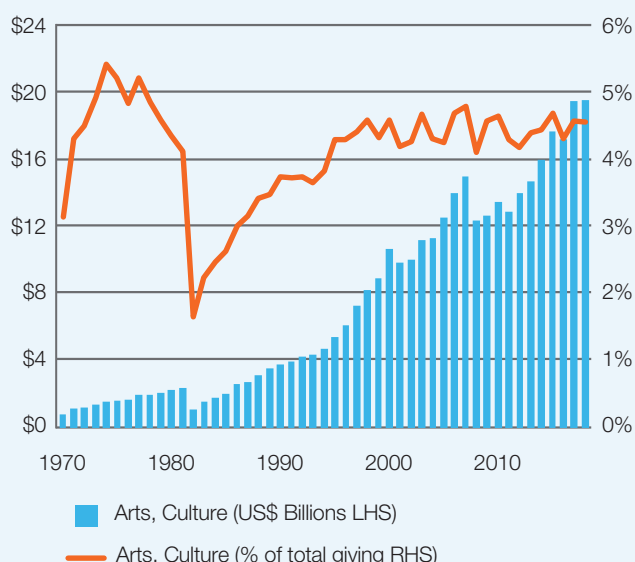


Source – Charities Services, JBWere Philanthropic Services

“Future growth in philanthropy share is expected although competition from other causes remains strong.”

Support for the arts in the USA has been very steady at around 4.5% of overall philanthropy. Given the much larger total of donations, it has provided great cumulative support for the sector over many years (Diagram 30). The prevalence of many large private Foundations with founders and current family as patrons has aided the cause significantly. In Australia Arts, Culture and Heritage receives around 4% of all donations, similar to the UK while Canada is much lower at 1%.

Diagram 30 – USA Philanthropy to Arts

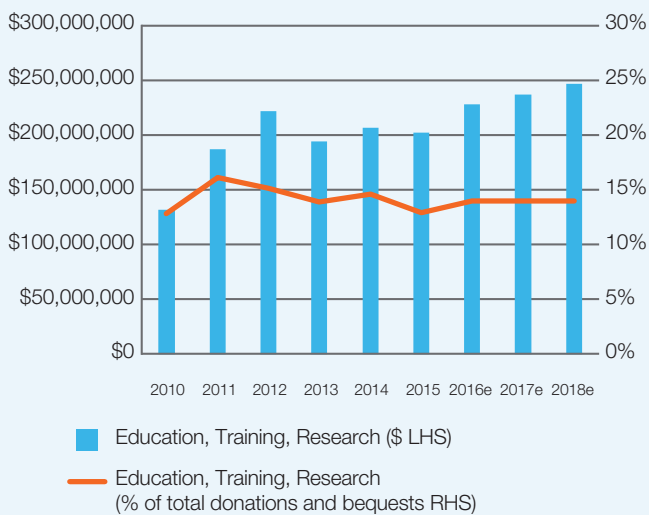


Source – Giving USA, JBWere Philanthropic Services

Education, Training and Research

While this sector includes primary and secondary education, technical and vocational training and medical research, it is dominated by Universities for total income. They are also the most significant beneficiaries for donations but we also see a stronger share than pure income would suggest, going to medical research, particularly cancer related and selected primary and secondary schools. This sector ranks number one of all causes for both income and assets and second for donations, although it is near at the other end of rankings when comparing the proportion that donations are of total income. Given the special role of the philanthropic dollar in providing for activities that either self-earned or Government funding don't support, there has been a strong increase in fundraising efforts at most Universities in recent years and continued strong efforts at many medical research institutes or supporting organisations. When we consider the always growing list of alumni, good support from the growing areas of the donor pie and the buildup in development office skills, the sector overall is very well placed. Education, training and research currently enjoys almost 15% of total donations and bequests, representing almost \$250m annually, made to charities in New Zealand (Diagram 31). It has maintained a very steady share of total donations with dollar values rising as the pie grows.

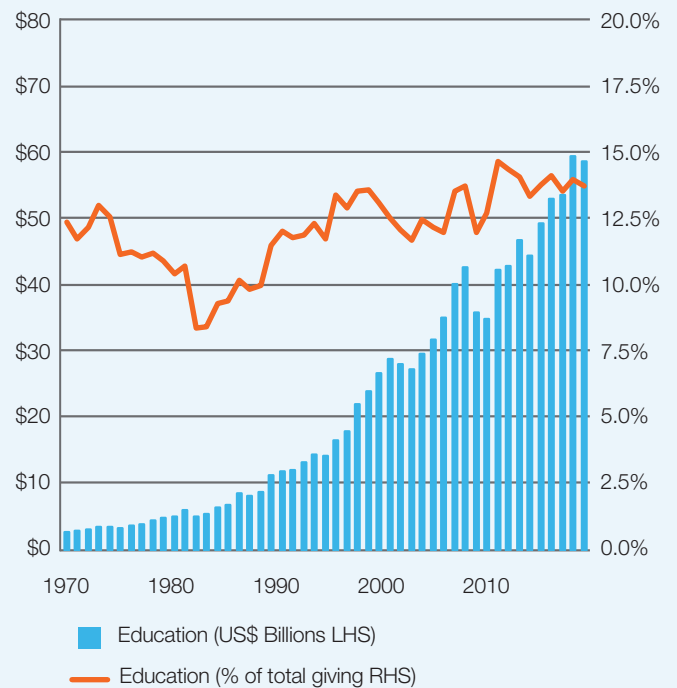
Diagram 31 – Education donations and bequests



Source – Charities Services, JBWere Philanthropic Services

In considering its future direction in New Zealand, we note the almost doubling of share the sector has seen in the USA since the early 1980's (Diagram 32). This is only for Education and doesn't include medical research which would boost USA percentages further. In addition, New Zealand is yet to see a move towards building huge endowments that are common in the USA (Harvard, Yale, Stanford and Princeton are all above US\$20 billion) which allow those institutions more autonomy and an increased ability to fund new initiatives and increase scholarships and access. In Australia the share is lower at 7% but rising while the UK sees 10% received by Education, Training and Research. The recent three year campaign by the University of Auckland where \$380m was raised from an initial \$300m, target is an example of the future potential for this sector.

Diagram 32 – USA Philanthropy to Education

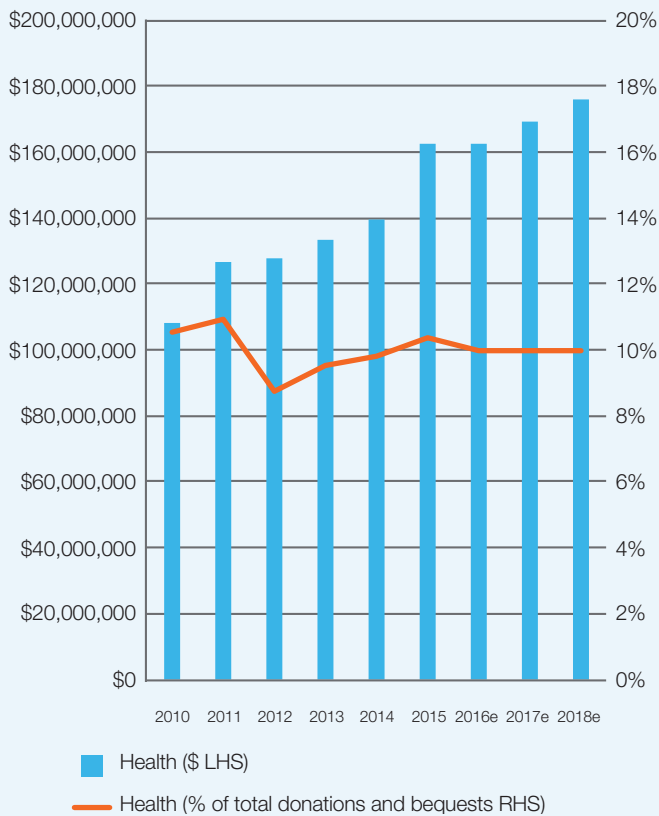


Source – Giving USA, JBWere Philanthropic Services

Health

Although it is a large cause area in New Zealand, ranking in the top four in assets, income and employee numbers, the proportion of income received through donations and bequests is slightly below that of the broad charity sector. If we included other Government controlled health organisations and for-profit aged care operators, donations would be an even smaller proportion of income. Health currently enjoys around 10% of total donations and bequests, representing almost \$180m annually, made to charities in New Zealand (Diagram 33). This has been a very consistent share of total donations with dollar values rising steadily as the pie grows.

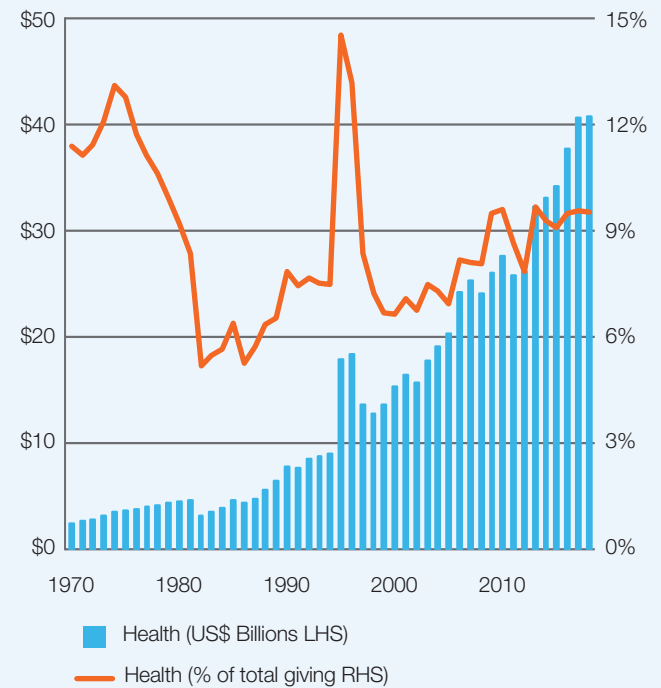
Diagram 33 – Health donations and bequests



Source – Charities Services, JBWere Philanthropic Services

Giving to health in the USA has maintained a consistent share of overall donations over a long period as other sectors have both gained and lost share (Diagram 34). New Zealand sees a very similar proportion of support going to this sector. This is likely to continue due to the broad range of giving groups combining to donate to the sector rather than an over reliance on any single donor segment. In Australia, Health receives around 15% of all giving, similar to the UK but less than Canada which enjoys 17% of giving to this cause.

Diagram 34 – USA Philanthropy to Health

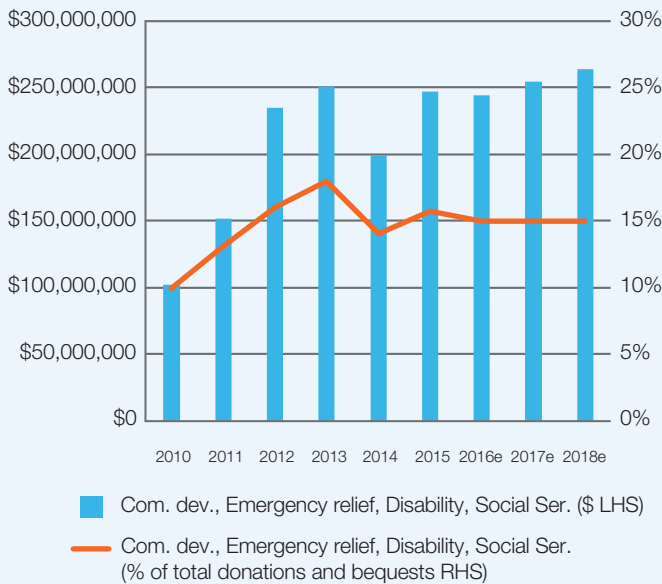


Source – Giving USA, JBWere Philanthropic Services

Human Services – Community development, Emergency relief, disability, social services

The large combined grouping of community development, emergency relief, disability and social services referred to here as Human Services has seen very consistent support over the last decade. This is reflective of good broad market appeal for more immediate need, especially in emergency relief, highlighting the great public response to appeals to support communities recovering from natural disasters and other community crisis. While variable between years, each of the four areas attract around the same level of donations annually. Volunteering is an important part of the sector’s financial model and should remain so despite demographic changes in New Zealand. This combined group currently enjoys 15% of total donations and bequests, representing around \$250m annually, made to charities in New Zealand (Diagram 35).

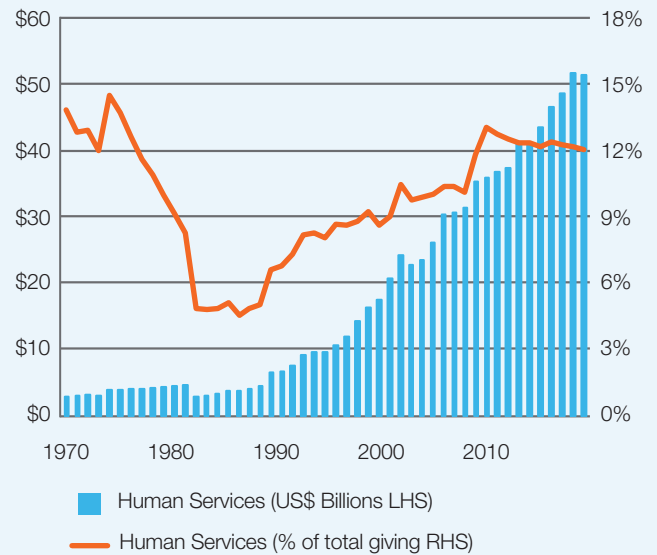
Diagram 35 – Human Services donations and bequests



Source – Charities Services, JBWere Philanthropic Services

In the USA, support for human services has been strong and growing, driven by local issues and the recognition that overall Government support for charities is lower and so philanthropy needs to and does take up more of that responsibility (Diagram 36). In Australia and the UK around 20% of all giving goes to Human Services, above the 16% seen in Canada.

Diagram 36 – USA Philanthropy to Human Services



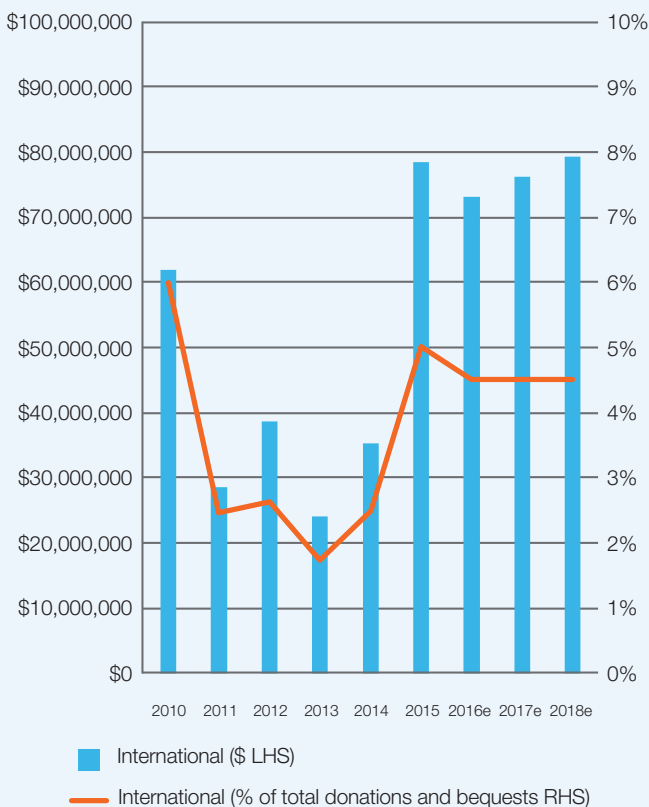
Source – Giving USA, JBWere Philanthropic Services

“Welfare and human services continue to see strong philanthropic support in New Zealand.”

International activities

For a sector where many organisations had an origin in religious based groups, their financial issues have many differences. As a sector, they rank relatively low in total income and even lower in assets and volunteering support. However, their reliance on donations is extremely high with over 60% of income from this source. The sector's high reliance on donations, particularly from the mass market and "sponsor a child" fundraising has been very successful for a long period of time. More recent trends have started to raise concerns that change needs to be made and other parts of the donor mix need to be more seriously approached. This provides challenges for organisations whose fundraising skills have been focused in different areas. International aid currently enjoys around 4.5% of total donations and bequests, representing around \$80m annually, made to charities in New Zealand (Diagram 37). Over the years there has been some classification changes from organisations between emergency relief, other and international aid explaining the lower values from 2011 to 2014.

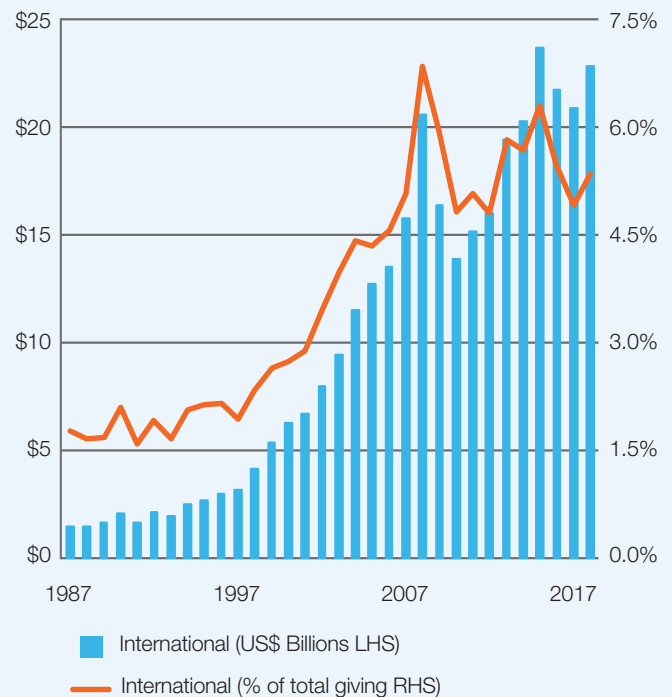
Diagram 37 – International Aid donations and bequests



Source – Charities Services, JBWere Philanthropic Services

Giving to international aid in the USA has plateaued in recent years after a strong increase in the previous decade and while that may offer some hope, we feel it is more a reflection of growth from an earlier very low base (Diagram 38). In the UK, international aid receives around 12% of donations, in Australia around 14% and in Canada 10%. The challenge for New Zealand is firstly to at least maintain the current overall share of donations from their existing main supporter group while looking for opportunities to grow other donors such as HNWI and corporates.

Diagram 38 – USA Philanthropy to International Aid



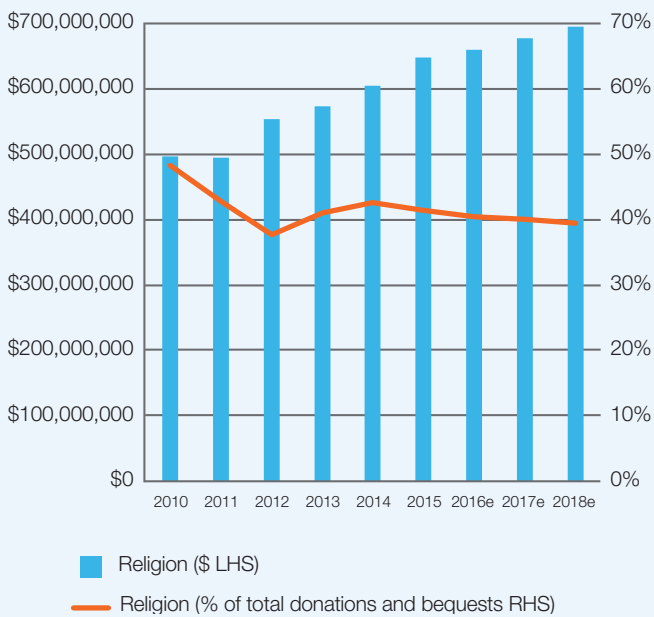
Source – Giving USA, JBWere Philanthropic Services

“High reliance on philanthropy from the broad mass market needs to broaden to other faster growing donor groups.”

Religion

The “basic religious charities” sector does not include organisations which have a religious background but predominantly provide support for other cause areas such as social services or international aid. It is relatively asset rich compared to other cause areas and has seen total income consistently around 10% of total charity sector income. However, its reliance on donations and volunteering is significant. While we have seen a slow slide in the proportion of total donations going to Religion, it has not been as marked as seen in other countries such as the USA or Australia. Religion currently enjoys around 40% of total donations and bequests, representing almost \$700m annually, made to charities in New Zealand (Diagram 39).

Diagram 39 – Religion donations and bequests

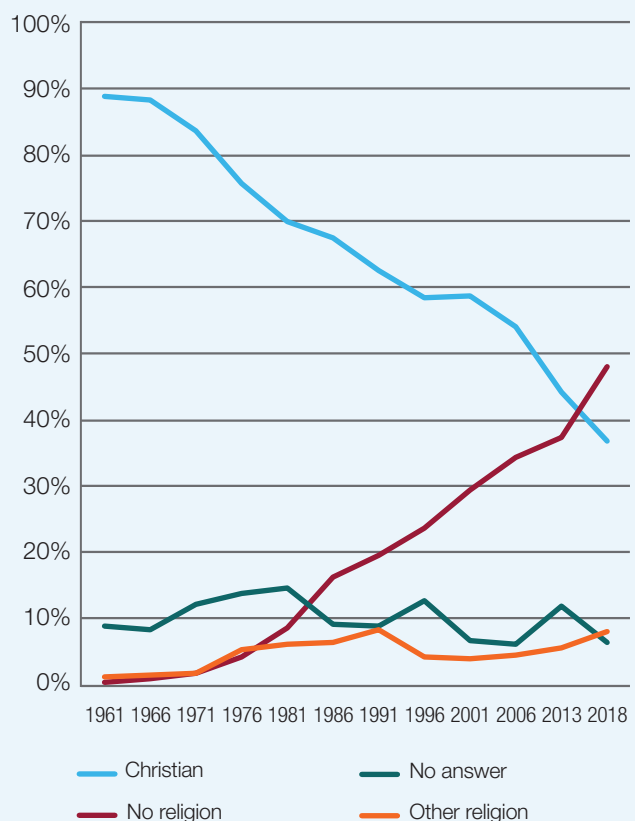


Source – Charities Services, JBWere Philanthropic Services

“The level of support for religion remains at high levels but, as in most countries, is falling relative to other causes.”

The dual challenges for religious donations are the declining trend of people identifying as religious and the much slower growth in broad based philanthropy in New Zealand, compared to other donor groups. Diagram 40 shows the census data for religious affiliation in New Zealand where we have seen falls consistently since 1961. While there has been a slight rise in “Other religion”, this has been more than offset by the fall in “Christian” with the rise in “No religion” now passing that in the 2018 census for the first time. Added to this, religion is the largest cause supported by donations from the broad population and generally in hours of volunteering, with both these areas lagging behind growth rates seen for other segments of private support. All of this suggests the need for a broader examination of the assets to income mix for the sector into the future.

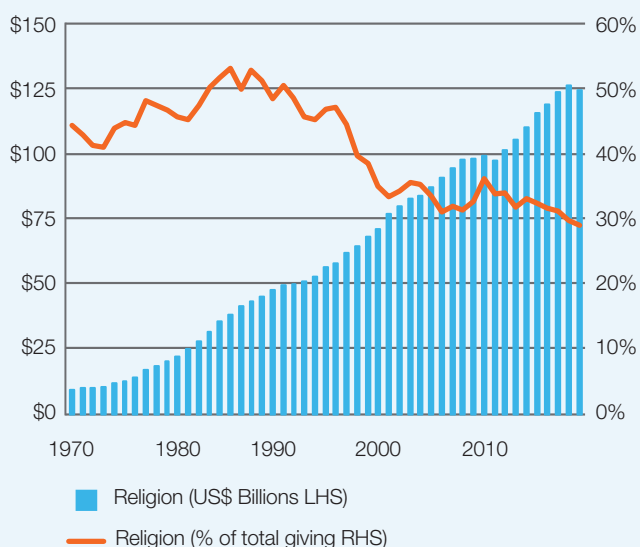
Diagram 40 – Religious affiliation in New Zealand



Source – Census of Population and Dwellings, JBWere Philanthropic Services

We see in the long term giving trends from the USA that while religion is still the top cause supported, its share of donations has fallen from over 50% of all philanthropy in the late 1980's to currently around 30% (Diagram 41), although in dollars given there has been continued growth. In Australia there has been a similar fall but from lower levels of around 40% in the mid 1990's to currently 20% of total donations. The UK sees a very similar 19% of donations going to this cause. In Canada there has also been a longer term decline but religion still received 41% of all donations to 2013. The falls in New Zealand have been far more modest to date.

Diagram 41 – USA Philanthropy to Religion

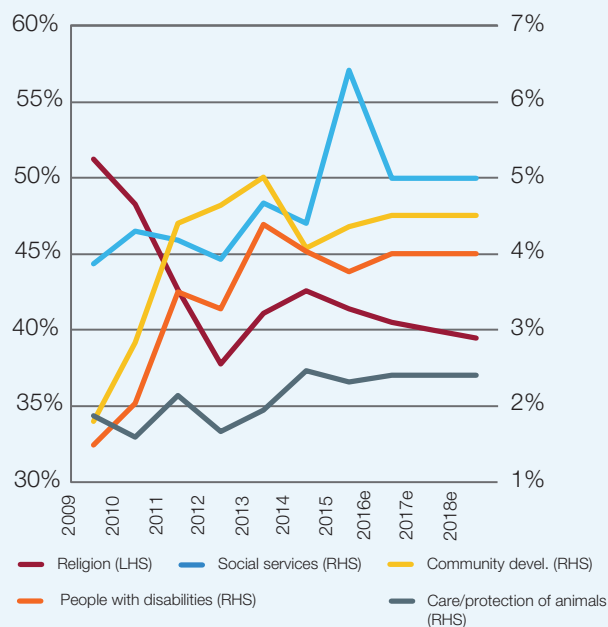


Source – Giving USA, JBWere Philanthropic Services

Trends for recipient causes

There have been changes in the relative support for causes in New Zealand over the last decade (Diagram 42). We have seen religion continue to lead philanthropic support but its dominance is falling. The largest gains have been in welfare or human services related sectors such as social services, community development or disability. In addition, animal protection has made gains from lower levels. Earlier sections examined the outlook for selected causes in New Zealand.

Diagram 42 – Donations and bequests by cause

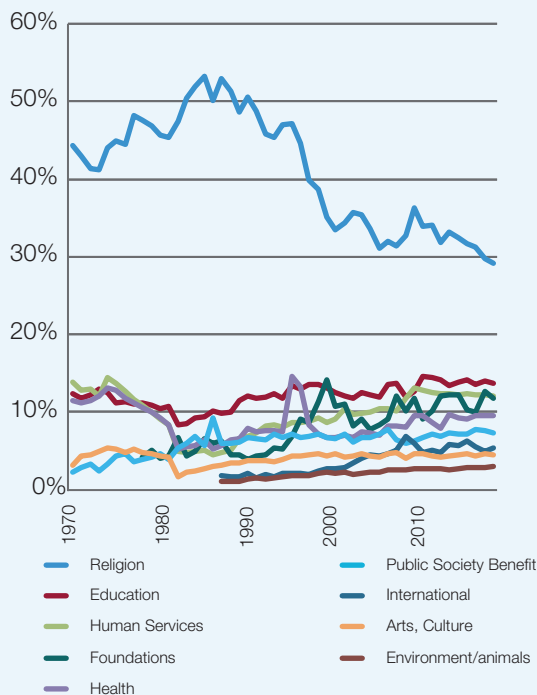


Source – Charities Services, JBWere Philanthropic Services

“The long term fall in religion’s share of giving is seeing gains for human services with good potential also expected for education, environment and animal related charities.”

Internationally there has also been changes in the level of support for various causes over time. Although New Zealand doesn't have the timeframe of comparable data, it is informative to look at the changes in the USA over the past almost 50 years (Diagram 43). Giving to religious causes has always been in the top position but its dominance has fallen. The proportions were only slightly lower in New Zealand a decade ago, but have held up better than in the USA. This fall in turn provides opportunities for other causes to take share in what is still an overall growing pool of donations. Again, over that considerable time frame available in the USA, the main causes we've seen increase their share of donations have been education (primarily Universities), giving into foundations (both private/family and donor advised funds, including through community foundations), international aid and environment/animals (albeit from a lower base than in New Zealand).

Diagram 43 – All recipients/USA Giving Data



Source – Giving USA, JBWere Philanthropic Services

Data sources and comparison with earlier Giving New Zealand findings

Compiling a comprehensive summary of philanthropy and grantmaking in New Zealand requires a combination of data sources and an understanding of their content and limitations. It requires some educated estimates in some areas. It also needs some discussion about what is and isn't included. Comparing results with past studies also requires some adjustments to be shown to provide the best possible "apples with apples" comparison. We generally try and examine data from both a top down and bottom up approach as a type of sense check with hopefully the quantum of both nearing a match. In this case we have looked at the data from both the givers (as earlier studies have done) and a recipients view through

Charities Services data collected from individual charities. Although the latter doesn't include either direct donations to individuals, giving to not for profits that aren't charities and relies on charities correctly recording donations, the trends are useful and information on how individual causes are performing can help inform their future strategy.

Diagram 44 shows the totals and giving breakup for each of the six studies done since 1996 with the section below discussing the data for each donor segment and in selected cases offering suggestions for improved data collection.

Diagram 44 – Current and past analysis of Giving in New Zealand

\$millions	NZ Support Report	Giving NZ	Giving NZ	Giving NZ	Funding NZ	Funding NZ
	2018	2014	2011	2006	2002	1996
Philanthropy and grant making						
Private donations rebate claimed	\$802	\$672	\$634	\$368	\$282	\$259
Other private donations	\$1,202	\$701	\$791			
Bequests	\$194	\$157	\$122	\$75	\$38	\$25
Structured private giving	\$290	\$264	\$275	\$116	\$23	
Community Foundations	\$7					
Energy Trusts grants	\$18					
Community Trusts	\$116	\$105	\$103	\$112	\$118*	\$71*
Gaming machine societies	\$341	\$301	\$312	\$272	\$131	
Lottery Grants Board	\$275	\$231	\$196	\$111	\$91	\$108
Business giving donation claimed	\$143	\$77	\$99	\$89	\$2	
Business giving through CSR programs	\$429					
Total Giving	\$3,816	\$2,508	\$2,532	\$1,142	\$685	\$463
Not included in NZ Support Report Giving						
University and other TEIs		\$12	\$12	\$9		
Licensing Trusts		\$3	\$4	\$6	*	*
Energy Trusts dividends/discounts		\$265	\$243	\$116	*	*
Giving including other Giving NZ values	\$3,816	\$2,788	\$2,789	\$1,274	\$685	\$463

* included all Statutory Trusts (Community Trusts, Energy Trusts and Licensing Trusts)

Source – Giving New Zealand Philanthropic Funding 2014, 2011, 2006, Funding New Zealand 2002, 1996, JBWere Philanthropic Services and sources shown for individual sectors throughout earlier sections of this report

Private donations rebate claimed

One of the easiest donation sources from IRD annual data and consistent across all giving reports.

Other private donations

This area is the other part of private giving that isn't captured in the rebate data and attempts to estimate donations made which aren't claimed through the tax rebate system. This will include where people haven't bothered to claim or make a tax return or they can't claim as the donations weren't to charities or where they have received some benefit eg attending events, a sausage sizzle or charity lottery tickets or more recently they have been to other forms of fundraising such as crowdfunding and receipts haven't been issued. In many countries, this non claimed amount is larger than the claimed amount and in New Zealand where tax returns aren't compulsory, it is likely to be significantly more. The Funding New Zealand reports only used the IRD data as they had less confidence in their other source, the Household Economic Survey, due to categories included and the addition of subscriptions to that data. The first Giving New Zealand survey only used the IRD data while the following two surveys used the Nielsen Consumer & Media Insights Survey data which asked quarterly around 12,000 people about giving and volunteering. While this did have the potential of capturing more than the IRD rebated giving claims alone, it was subject to which quarter survey was used eg the March 2014 Nielsen survey recorded the proportion of people donating at 31.9%, although the average from December 2009 to September 2014 when the survey ceased, was 39.7%. We have shown in Diagram 44, the breakup of the Nielsen giving data for private donations into IRD claimed donations and the balance as "other private donations" for the previous Giving New Zealand surveys. Examining the full range of Nielsen data and its ratio of giving to IRD claims over 5 years plus examining trends in other countries of tax claims relative to other giving plus the decline in the proportion of those claiming tax rebates in New Zealand, suggests previous estimates for other private donations have been quite conservative.

Bequests

There has been a steady increase in the value of bequests over time which is entirely consistent with growing wealth levels and the increase in the number of annual deaths. The early bequest giving estimates were based on a PhD study from Queensland by the late Chris Barnard from JBWere who examined the rate of bequests from probate data which was then applied to New Zealand death rates. Later Giving New Zealand studies were made from surveys to major charities who are the dominant recipients of bequests. From 2009 to 2015, Charities Services included a bequest value in survey data required from charities which provided an excellent view of both total bequest values, and how reliant each cause was and how charity size influenced bequests. Both our estimates combined with forward projections and Giving New Zealand 2016 used this data. Unfortunately, this data wasn't included by Charities Services data requests from 2016 and along with a less rigorous definition of donations and bequests in their data, it has reduced the aid provided from this valuable source.

Structured private giving

The giving from individual or family charitable trusts has shown consistent growth over time from all surveys with a combination of new funds and accumulated growth in existing funds. There is no separate identifying factor for charitable trusts among Charities Services data but estimates can be made from income to distribution ratios and in some cases from Trust names plus the two major trust companies publish selected data on funds they manage.

Community Foundations

Previous surveys hadn't included a specific estimate of Community Foundation donations. While still relatively new and small compared to other sources of giving, the greater profile given to this form of giving can only encourage more donors to consider this managed and structured form of giving. We have used a selection of annual reports for estimates plus sector totals profiled by their peak body, Community Foundations of New Zealand.

Energy Trusts grants

There is further discussion on differentiating between energy trust community grants and customer discounts/dividends below and in earlier sections of this report, but for our study we have chosen to only include those grants made for broader community use in our giving data. While it is a much smaller proportion of energy trust outputs (under 10%) it is growing. Previous surveys have all included the total distributions from Energy Trusts.

Community Trusts

Our report and all Giving New Zealand surveys have used annual reported data from each of the 12 Community Trusts. The earlier Funding New Zealand survey reported combined Statutory Trusts including both Community Trusts and Energy Trust distributions/dividends and Licensing Trusts.

Gaming machine societies

Earlier surveys have used the minimum Government requirement of 37.12% of gross proceeds from non-Casino gaming machine trusts as their estimate and before that annual reports from the major organisations. More recently, Government publications through DIA have specified the actual amounts given from each gambling form for community purposes which for gaming machines, have been slightly above the minimum requirements.

Lottery Grants Board

The Lottery Grants Board reports annually on allocations and grants made, giving details for each of the Statutory bodies, Regional and National Community grants and Lottery Specialist Committees.

Business giving donation claimed

While the Funding New Zealand survey only used known giving from corporate foundations, the Giving New Zealand surveys used data from IRD returns by corporates for direct donations. We have used the same Tax Expenditure Statements from Treasury to show the amounts claimed by corporates which have almost doubled since previous surveys.

Business giving through CSR programs

The more significant aspect of corporate giving and previously not included in any of the survey numbers is that not claimed as a direct donation but done as part of corporate social responsibility (CSR) programs. International data for corporate giving all include both in-kind donations and pro-bono volunteering where the corporate pays for and provides the support but doesn't get a direct commercial benefit as well as direct donations. Most report under international standards using the Global Reporting Initiative. Earlier surveys have commented on this aspect of corporate giving but not estimated a value although Giving New Zealand suggested it could be two times the donation claimed value in 2006 and 4.7 times in 2014. Data from the significant Giving Australia survey in 2016 estimated the ratio was 10 times. We have used a ratio of three times based on a conservative view at this stage but also after examining the sustainability reports from a number of individual companies.

University and other TEIs

Each of the Giving New Zealand surveys used an estimate of the giving from Universities and other Tertiary Education Institutes. As these are mostly given from existing charities assets to recipients attending their organisations as scholarships, we have not included them in our study. In addition, the values have been less than 1% of total giving estimates historically.

Licensing Trusts

We have not included Licensing Trusts in our analysis due to both their small size (historically under 0.5% of total giving) and the lack of clarity about giving from non-gaming machine activities where giving is discretionary.

Energy Trusts dividends/discounts

One of the large differences between our analysis and earlier Giving New Zealand studies is the treatment of energy trust distributions. Our earlier section on Energy Trusts describes in more detail the nature of Energy Trust deeds between Consumer and Community Trusts. We have chosen to not include the distributions to customers as a form of philanthropy and recognize that while earlier Giving New Zealand studies did include them, they also recognized that they may not be considered philanthropic but perhaps were more in the form of company dividends or discounts and could be used by recipients for any purpose.

About the author

John co-founded JBWere Philanthropic Services on its establishment in 2001 after 15 years as a financial analyst and manager of the Resource Research group within the firm's top-ranking strategy team. Apart from Commerce and Engineering degrees, he has also completed the Swinburne University postgraduate course in Philanthropy and Social Investment.

He researches and produces widely read reports on philanthropy and the operation of the for-purpose sector. He co-authored the *Impact – Australia* report in 2013 highlighting the practice and growth potential for Impact Investing and more recently co-authored *Growing Impact in New Zealand*, released at the Social Enterprise World Forum held in Christchurch in 2017. He also authored *The Cause Report* examining the evolution of the NFP sector in Australia over the last 20 years and examined the implications for its future direction. *The New Zealand Cause Report* was then released in 2017. He also compiles the list of Australia's major philanthropists for the Australian Financial Review's annual special, *Philanthropy 50*. In 2018 John authored *The Support Report* which focused on the dramatic trends occurring in Australian giving and the implications for recipients over the coming decade. In 2019 he co-authored and coordinated the inaugural list of community investment by Australia's 50 largest corporate donors.

John presents at a range of conferences and workshops on issues related to philanthropy as well as the governance of charitable trusts and measurement of social return and trends in the for-purpose sector. He also sits on the Board of several charities including education and disability housing causes and on the Board of Philanthropy Australia.

About the JBWere

Established in 1840, JBWere is a specialised investment firm providing bespoke wealth solutions to New Zealand's most successful people, companies and for-purpose organisations. Working with and servicing charitable and for-purpose clients, has been a key cornerstone of the growth and history of JBWere over its 180 years of existence. In 2001, JBWere established a dedicated Philanthropic Services team to provide strategic advice and insight to for-purpose organisations, philanthropic individuals, families and businesses. With charitable and for-purpose client funds under management (FUM) exceeding \$8.4 billion across New Zealand and Australia, JBWere is a leading provider of services to the sector, with a deep understanding and appreciation of the importance of prudent management of investment assets for such clients. JBWere is wholly owned by National Australia Bank Limited. Please visit our website to download a softcopy of this report.

About Philanthropy New Zealand

Philanthropy New Zealand is the peak body for philanthropy and grantmaking. We are a not for profit and independent organisation.

Our purpose is growing effective giving.

We:

- inspire more giving
- support better philanthropy and grantmaking
- build a stronger philanthropic and grantmaking sector.

We provide training, share best practice, data and research, and connect our members to enable collaboration.

We offer guidance for anyone with an interest in giving to make the world a better place.

Our members include private philanthropists; family, community and corporate foundations; iwi; community and energy trusts; and Government agencies. We also offer community membership for grant-seeking organisations.

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