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(EXCERPT OF THE SPEECH)

Philanthropy in Australia: Can we create a 'new normal'?©

by

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So how much should I be giving each year?

I am not here to talk about our tax structure or social policy. I want to talk about what is the 'norm' for giving in Australia – that is, what's normal? And see if this 'normal' is still appropriate.

Broadly speaking, we Australians tend to concentrate on three aspects of money:

- One: Making it.
- Two: Saving it and investing it. And,
- Three: Spending it. (I know, I know…Many of you folks feel like all you are doing is making it and saving it, while other members of your family are doing <u>all of the spending it</u>.)
- But what about the fourth aspect of money – giving it? In our culture, we don't really focus too much on 'giving it.'

Years ago I stumbled across a Quaker proverb that was meant to help the Quakers understand that the **<u>so-called</u>** *paradox of money* is that ***there is no paradox of money*****.**

Their proverb is very straightforward and easy to understand. It's only three lines long:

Gather all you can.

Save all you can.

Give all you can*.*

It was a wonderful lesson for me. No ambiguity. Crystal clear recommendations:

Make it. As much as you can. (Legally, ethically, morally.)

Save it and invest it. As much as you can.

Give it. As much as you can.

So, what's a good annual benchmark for personal giving?

As a country we've never really focused on developing a good personal benchmark. In essence, I think we are afraid of it…at the very least we are uncomfortable with it.

Fear? Really? Is that the reason? Yes, I think it's a big part of it. And it comes in many forms:

- Fear of running out of money at the end.
- Fear of our relatives not calling us on Sundays or stopping by the nursing home to visit us.
- Fear of going against societal norms - that is, to go against the tradition of leaving it in your last will and testament.
- Fear of having difficult conversations with the kids.

There is nothing wrong in focusing on the first two parts of the Quaker proverb - Gather all you can. Save all you can. That is entirely appropriate.

But, because of our lack of a giving tradition, we are missing out on *the Third Act of our lives*: **Give all you can.** And it may be the most joyous part of our lives. Imagine if you lived all of your life, but never ***REALLY*** experienced the joy of giving on a regular basis?

Our personal wealth, our net worth, is not just money. Our net worth can be measured in dollars and cents, but it is also a function of time – our time of labour for sure, but as well the labour of our parents, our grandparents, all of our ancestors.

It is ours, but not solely derived by us. We own it, but only while we are living. At the moment of our death, whether we like it or not, we give it all away. 'There are no pockets in a shroud.'

So, is waiting until you die to give your wealth away, is that the most rational thing to do? I know it's the 'customary' thing to do. But is it the most rational? I don't think so.

The Quakers certainly don't think so. Chuck Feeney certainly doesn't think so. And so do a lot of very bright and successful people – people like Bill & Melinda Gates, and Warren Buffet. As of today, 93 billionaire households have publicly signed up to The Giving Pledge[1]. The folks that Richard Ackland, in today's Sydney Morning Herald, calls the 'give-to-you-drop-club.'[2]

When I address a conference or symposium, I often hear something like 'Well that's all well and good for the multi-millionaires and the billionaires, but I don't have that kind of money…' It is part explanation, part apology, part regret.

So here's the crux of the challenge: Can we devise a program or protocol that works for everyone – from the battlers all the way up to the billionaires?

Can there be a new standard for personal giving? Can we create a 'new normal?'

I think we can.

We all know about tithing. It has a long religious tradition. Giving a portion of your annual income to your church.

In all of my travels and in all of my research on giving and on philanthropy, I have come across a number of different traditions and protocols. The one I want to talk to you about tonight I learned from a group in the United States called **The One Percent Club[3]**.

They promote the idea that we all should give at least 1% of our net worth or net assets each year to those less fortunate than us. They don't specify that it is to go to a church. Or to a specific charity. They simply say give away 1% of your net worth each year.

I like the idea of giving a percentage of assets per year, not income, because your net assets are your accumulated wealth over your lifetime, and include all that you have inherited.

[1] www.givingpledge.org.
[2] *Sydney Morning Herald*, 'Being nice to students has its rewards.' 2 Nov 2012, p 15.
[3] www.morethanmoney.org/articles.php?article=The_One_Percent_Club_A_New_Tithing_Strategy_190.

I like using assets as the base instead of income, because:

Income can vary greatly from year to year, and that makes planned giving more difficult.

Income is impacted by various accounting and tax protocols, while assets can be estimated at *current market value* fairly easily.

We may seek to *minimize* our annual personal taxable income, but we typically want to *maximize* our net assets over the longer term.

And I like 1% because it's easy to calculate. It's do-able. It's only one-hundredth of your total assets. That means that each year, no matter what you give away, not matter what your annual rate of return is, no matter what your marginal income tax rate is, **you still have 99% of your wealth left**. No fear! By definition, you will never run out of assets. Even if your pile diminishes over time, each year you will always have 99% left.

Not big enough for you? Okay, then give more. There are folks who endorse The One Percent Club and give 2 or 3% of their net assets away each year.

Too much for you? Okay, instead of giving 1% of your net assets away each year, give away only 1% of ***your net near-liquid assets***. I define net near-liquid assets as your net assets less the equity value of your primary residence.

For many of us, our home is our biggest asset, and by definition, it is not a liquid investment. And while we are alive, we will always need shelter. So exclude your primary residence, and give 1% of what you have left.

For many Australians, that will essentially be the value of your superannuation. For some, it's our superannuation plus our additional shareholdings, investment properties, etc.

One of the things I like about this 'new normal' is that everyone can give in proportion. What I call ***proportional generosity***. No one will feel left out. The battler with only $100,000 in super who puts $20 per week into the church collection basket will end up giving away at least $1,040 per year. More than 1% of his or her's net near-liquid assets.

And I would argue that it's harder for the battler to give that 1% away than it is for the billionaire.

Do you know how much accumulated personal household wealth (not corporate wealth) there is in Australia? It's estimated to be $6 trillion. Let's guesstimate that up to half of that is tied up in primary residences – the family home. So let's exclude that.

Do you know how much 1% of $3 trillion would be? **$30 billion to charities and not-for-profits in Australia each year.** Every year. Imagine what a difference that would make!

Too big a goal? Okay, how about a more modest goal of getting 10% of us to give 1% of our net near-liquid assets each year? That's still $3 billion in charitable donations, each and every year.

Will you think about it for yourself?

Will you consider becoming part of that leading edge of 10% who adopt this new norm for personal giving?

I've started a web site to promote this new norm. It's based on the US model, but adapted for an Australian context.

You can find it at **igiveonepercent.org.**

It is not a charity. It is not a foundation. I am not looking for your money. It is entirely self-funded.

I have so much more I want to share with you. But let's leave it there for tonight.

I give 1% of my net near-liquid assets.

Every year.

Can you help make it the 'new normal?'

Thank you.

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