



Review of Philanthropy: Trends and Motivations for Giving in Australia

A report prepared by 3arc Social to assist in the work of the Productivity Commission's inquiry into philanthropic giving in Australia

July 2023



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1 Introduction

3arc Social is a boutique research agency dedicated to positive social change. We work with government departments, regulatory authorities, academics and not-for-profits to understand societal issues. Through end-to-end qualitative and quantitative research, we provide evidence-based insights to inform policy, decision-making and program evaluation.

3arc Social recognises that philanthropy plays a vital role in addressing and mitigating societal issues in Australia, and acts as a complementary force to government initiatives in tackling societal challenges. We recognise the importance of understanding the philanthropic landscape and environment, in order to identify opportunities for expanding philanthropic efforts in Australia.

2 Background and context

A request has been made to the Productivity Commission to undertake an inquiry into philanthropy. The purpose of the inquiry is to understand trends in philanthropic giving in Australia, the underlying drivers of these trends, and to identify opportunities and obstacles to increasing such giving. The inquiry will make recommendations to Government to address barriers to giving and harness opportunities to expand. 3arc Social is pleased to assist the Commission on this important matter. This report provides a summary of existing literature (where available / relevant) in relation to the one of the three main terms of reference of the inquiry scope: Trends and motivations for giving in Australia.

Individual giving can be in the form of monetary donations, goods, time (e.g. volunteering or other services) and others (e.g. blood donations). This report focuses on monetary donations at the individual level, addressing the following areas of interest highlighted by the Commission:

- Why people do (and do not) give
- Who gives, including different characteristics (e.g. age, gender, income)
- Advantages and disadvantages of philanthropy as a source of revenue
- Data, insights and case studies including those that are not publicly available
- Alternative giving vehicles currently unavailable in Australia

3 Trends and motivations for giving in Australia

3.1 Why people do (and do not) give

3.1.1 Motivations for giving

According to the 2019 Australia Giving Study (Charities Aid Foundation, 2019), the most recent report available on philanthropic giving in Australia, Australians most commonly give because they ‘care about the cause’ (54%). They are also motivated by being able to help people less fortunate than themselves (41%), the ability to make a difference (33%), and feeling good in return for their donations (32%). These findings are broadly in keeping with results from the most recent *Individual giving and volunteering* survey (Giving Australia 2016; McGregor-Lowndes et al. 2017) which found that people most commonly donate because “it’s a good cause / charity” (38.5%), “I respect the work it does”, (20.5%), and for “having sympathy for those it helps” (13.6%).

3.1.2 Barriers to giving

While much is known about motivations for giving, there is a paucity of research on the barriers to monetary donations in Australia. Besides personal finances, the Australia Giving 2016 study (McGregor-Lowndes et al. 2017) found that non-givers most commonly indicated reasons relating to a lack of trust in the charity. One other Australian study by Wiepking et al. (2010) found that the presence of alternative beneficiaries decreases the probability of making charitable bequests. However, this does not, of course, represent a modifiable factor which can be targeted or impacted by potential recipients.

Drawing from beyond the Australian literature, American donors have flagged multiple concerns which have affected their giving, including a lack of transparency and understanding of the impact of their giving (81%), personal finances (75%), and interactions with the nonprofit organisation (75%; Giving USA 2017; Giving USA Foundation, 2017). Expanding on the latter, concerns included repeated solicitations of donations from a charity organisation, and donors not being thanked or recognised for their gift.

3.1.2.1. High net worth individuals

High net worth individuals (HNWIs) are important for charities due to their significant financial resources and potential for large-scale donations. In a survey of more than 400 HNWIs (holding assets of £5m or more) in key wealth markets within the UK, France, Germany, Italy, Saudi Arabia, UAE, Hong Kong, Singapore and India (Barclays Private Bank, 2019), results showed that 75% of HNWIs think major giving is the responsibility of people wealthier than themselves; 54% consider it to be the government's job to support causes, and 42% consider that the amounts they are able to donate would be insufficient to make a real impact.

3.2 Who gives, including different characteristics

Donations refer to the act of giving money, assets, or resources to a charitable organisation or cause. Donations are typically made directly and immediately, with the intention of providing immediate support to the organisation's activities. In contrast, planned giving, also known as legacy giving or gift planning, involves making charitable contributions that are structured and arranged to be fulfilled at a later time, often after the donor's lifetime. These two forms of giving, and their associated profiles, are discussed separately below.

3.2.1 Donations

According to the Australia Giving 2016 study, as reported in the Koda Capital Snapshot of Australian Giving (2018):

"The 'typical giver' in Australia is a 46 year old female, born in Australia, earning a gross income between \$52,000 and \$64,999. She works full-time, is part of a couple and has dependent children living at home."

The authors (McGregor-Lowndes et al. 2017) conclude that gender (being female), age (being 35-44 years old), income (higher), education (higher), and being employed were demographic factors which have a positive influence of the likelihood of making monetary donations.

It should be noted, however, that findings on the demographic factors associated with monetary donations have been inconsistent. Based on a survey of a sample of 539 Australian respondents, Lwin et al. (2014) found that gender did not influence an individual's tendency to donate. Further, results showed that donors were more likely to be older individuals, and no relationship was observed between education and charitable donations.

Looking beyond demographic factors, Lwin et al. (2014) also tested the associations between a range of psychographic factors and charitable donations. Results showed that donors rated themselves as more generous compared to non-donors, and also perceived themselves to be more financially secure compared to non-donors. Religiosity did not differ between donors and non-donors, indicating that charitable donations Australia are driven by self-perceived generosity and financial security more so than by religious motives.

3.2.2 Planned giving (bequests)

Planned giving, also known as legacy giving or gift planning, involves making charitable contributions that are structured and arranged to be fulfilled at a later time, often after the donor's lifetime.

In a 2012 national research project involving an analysis of probate data (Baker, 2014) identified the absence of a surviving spouse or children as a strong influencing factor on the likelihood of charitable bequests. Several other adjacent observations from the study are also relevant to note, including that most older Australians do have a valid will (only 10% died interstate), and that many people's wills remain unchanged for the last 10 years of their lives. This is complemented by US-based research demonstrating that the top characteristics of donors (with respect to planned gifts) include consistency in giving over time (James, 2020), highlighting the importance of fostering long term relationships with donors, especially in the final years of their lives (Baker, 2014).

3.3 Advantages and disadvantages of philanthropy as a source of revenue

Based on the current landscape of philanthropic giving in Australia, a summary of key advantages and disadvantages of philanthropy as a source of revenue for charity organisations is provided below.

3.3.1 Advantages

Philanthropic funding offers non-profit organisations flexibility in how they allocate resources. Unlike government grants or contracts, philanthropic contributions typically come with fewer restrictions, allowing organisations to use the funds according to their own priorities and strategies. Not-for-profit organisations who are successfully funded through philanthropy can

maintain their independence and autonomy, unbound by the restrictions and requirements often associated with government funding or commercial partnerships. This flexibility enables innovation, adaptability, and responsiveness to emerging needs.

Related to above, relying on a diverse range of revenue sources, including donations, is crucial for non-profit sustainability. Philanthropy offers an additional avenue for organisations to diversify their funding streams, reducing dependency on a single source. Cultivating relationships with individual donors (as well as foundations and corporate philanthropies) can help charity organisations to build a more resilient financial foundation.

Further, philanthropy involves building relationships with donors who are passionate about the organisation's mission. Donors often become engaged stakeholders, providing not just financial support but also expertise, networking opportunities, and advocacy (Jackson & Spink, 2021). Strong donor relationships can lead to long-term support, increased visibility, and partnerships that extend beyond financial contributions.

3.3.2 Disadvantages

Reliance on philanthropy as a source of revenue also comes with several disadvantages for recipients of charitable donations. As well known by many charitable organisations, philanthropic giving can be influenced by economic conditions, changes in donor priorities, or shifts in public sentiment. This can lead to inconsistent revenue, making it challenging for non-profits to plan and sustain their programs over the long term. This is further detailed below.

The process of seeking, securing, and managing philanthropic donations can be time-consuming and resource-intensive. Fundraising to attract philanthropic donations requires resources, time, and effort – often with no guaranteed return. Philanthropic donations often provide short- to medium-term funding, leaving non-profit organisations vulnerable to funding gaps in the long run.

Philanthropic funding is a competitive space, with many non-profit organisations vying for limited resources. Non-profits must continually invest in fundraising efforts to secure new donations, which can divert energy and resources from their core mission. This focus on short-term revenue generation may hinder their ability to plan and execute sustainable, long-term strategies.

3.4 Data, insights and case studies including those that are not publicly available

As noted earlier, philanthropic funding is a competitive space, with many non-profit organisations vying for limited resources. In light of this landscape, many fundraising consultancies have emerged to help non-profits cultivate donor relationships and advance their missions. Based on an analysis of case studies across various global fundraising consultancies¹, the following are identified as key features of successful campaigns:

1. A clearly developed and compelling **purpose**, communicated in a way that captures attention, evokes emotions, and highlights the impact and importance of the cause.
2. Clearly defined **goals** that provide focus and direction for the campaign. Setting specific fundraising targets, such as monetary amounts or number of donors, creates a sense of urgency and allows donors to understand the impact their contributions can make.
3. **Story telling techniques** to engage donors emotionally, including the sharing of personal stories, testimonials, or case studies to create a connection and make the cause more relatable and compelling for the donor.
4. **Strategic** (and comprehensive) **communication** through various channels such as social media, email, websites, and traditional media to reach a wider audience.
5. **Diversification** of fundraising methods to appeal to different donor segments, including crowdfunding, events, corporate partnerships, peer-to-peer fundraising and matching gift programs.
6. A well-defined **call-to-action** (e.g., making a donation, sharing the campaign with others, volunteering) to provide a specific next step for donors to engage with the campaign.
7. **Donor recognition** for their contributions through personalised acknowledgements, updates on the campaign's progress, and opportunities for continued involvement (see also no. 9 and 10 below).
8. **Passionate** advocates, leaders, influential volunteers, or well-known figures driving the fundraising efforts who lend credibility and inspire others to get involved.

¹<https://www.managementcentre.co.uk/fundraising-case-studies/>,
<https://www.networkforgood.com/resources/case-studies/>, <https://www.givergy.com/au/case-studies/>

9. **Measurable** results and **transparency** in how funds are used build trust and credibility with donors; sharing impact reports, stories of success, and financial accountability foster donor confidence and encourage continued support.
10. **Post-campaign**, successful fundraisers continue to engage with donors, share impact reports, and express gratitude, fostering long-term relationships and potential future support.

3.5 Alternative giving vehicles currently unavailable in Australia

3.5.1 Qualified Charitable Distributions (QCDs)

In the United States, individuals who possess Individual Retirement Accounts (IRAs) are obligated to take minimum distributions each year starting at age 73, regardless of their need or desire for the funds. These required distributions result in an increase in the individual's overall taxable income. This income boost has the potential to push the taxpayer into a higher income tax bracket and can activate phaseouts that reduce or eliminate certain tax deductions, such as personal exemptions and itemised deductions. In some cases, it can also lead to higher taxes on Social Security income (government benefits / financial assistance).

Qualified Charitable Distributions (QCDs) are a specific type of charitable giving available in the United States. They allow individuals who are at least 70.5 years old to donate funds directly from their Individual Retirement Accounts (IRAs) to eligible charitable organisations without incurring tax liabilities on the distribution. QCDs, also known as IRA charitable distributions or IRA charitable rollovers, allow individuals to meet their required minimum distribution by directly transferring funds, up to \$100,000, to charitable organisations. These distributions can be allocated to support multiple charities as long as the total amount remains within the \$100,000 limit. The advantage of QCDs is that they do not add to taxable income, which helps individuals avoid higher tax rates and phaseouts.

3.5.2 Charitable Remainder Trust (CRT)

In the United States, a charitable remainder trust (CRT)² is a “split-interest” giving vehicle that allows individuals to generate income while also pursuing their charitable goals. It is a type of giving vehicle where the trustor (also known as the grantor or benefactor) makes a donation that is tax exempt and irrevocable. The primary purpose of a charitable remainder trust is to reduce the taxable income of the individual.

The trust is established by the donation from the trustor, which provides a partial tax deduction. It operates by distributing income to either the trustor or one or more named noncharitable beneficiaries for a specific period of time. Once that period ends, the remaining assets of the trust are donated to one or more designated charitable beneficiaries. These charitable beneficiaries can be either a public charity or a private foundation.

Once a charitable remainder trust is established and designated as irrevocable, it means that it cannot be modified or terminated without the consent of the charitable beneficiaries. When the trustor transfers assets into the trust, they relinquish all ownership rights over those assets and the trust itself. The irrevocable status ensures that the terms and conditions of the trust, including the distribution of income and eventual charitable donation, remain unchanged and cannot be altered by the trustor or any other party without the agreement of the charitable beneficiaries. When a trustor chooses to make a trust irrevocable, they are taking it out of their estate, ensuring that it won't be included in the probate process, won't be subject to estate taxes, and can be transferred to a beneficiary without delay.

3.5.3 Designated Funds

A designated fund (available in the UK and USA) is similar to a donor-advised fund (DAF; available in Australia), except that it is established to support one specific charitable organisation. Designated Funds are typically established by individual donors (third parties), not the agency itself.

Designated funds allow donors to specify how their charitable donations should be used and ensure that their intentions are honoured. With endowed designated funds, the principal amount

² See also <https://www.fidelitycharitable.org/guidance/philanthropy/charitable-lead-trusts.html> for Charitable Lead Trusts (CLTs)

donated is invested, and a portion of the investment earnings is distributed to the designated cause or organisation on an ongoing basis. The principal amount remains intact, providing a sustainable source of funding for the specified purpose in perpetuity.

3.5.4 Field of Interest Funds

Field of Interest Funds (available in the UK, USA, and Canada) are a type of philanthropic fund that is established to support a specific area or field of interest, rather than a particular charitable organisation. These funds allow donors to make a broad impact within a specific area of focus, such as education, healthcare, environmental conservation, or arts and culture. The funds are typically managed by a charitable organisation, foundation, or community foundation.

3.5.5 Up and rising: Crypto donations

In addition to conventional currency, many charities are also accepting contributions paid in cryptocurrency. Two of Australia's biggest charities, UNICEF Australia and Save the Children, promote crypto asset donations. Both accept donations made in more than 50 different cryptocurrencies. Other Australian charities which encourage crypto donations³ include (but are not limited to):

- Guide Dogs Australia (<https://guidedogs.com.au/donate-crypto/>)
- Cancer Council NSW (<https://www.cancercouncil.com.au/ways-to-donate/donate-crypto/>)
- The Life You Can Save (<https://www.thelifeyoucansave.org.au/donate-crypto/>)
- Oxfam Australia (<https://www.oxfam.org.au/donate/different-ways-to-give/donate-crypto-to-oxfam-australia/>)
- Habitat for Humanity (<https://habitat.org.au/donatecrypto/>)
- MAF Australia (<https://maf.org.au/crypto/>)
- Mind Medicine Australia (<https://mindmedicineaustralia.org.au/donate/crypto/>)
- Youth Projects (<https://www.youthprojects.org.au/donatecrypto/>)

³ Most commonly via The Giving Block: <https://thegivingblock.com/>; see also Blockchain Philanthropy Foundation (<https://blockchainphilanthropy.org/cryptocurrency-donation-platform/>) and Tokens for Humanity (<https://tokensforhumanity.org.au/>)

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