

Welcome to the Legenis monthly newsletter.

With the end of the financial year fast approaching, now is a great time to reflect on the tax consequences of assets disposed of during the year, and income earned. Extra contributions can be made into superannuation up to the threshold. Then what?

Have you thought about making a sizeable donation to charity or establishing a foundation as a vehicle for redirecting tax dollars now and in the future? The funds you donate into your foundation can be invested, for growth, and what better time to buy? Family foundations are also a fantastic way to teach future generations of your family about responsible giving, money management and investment (see Article 1).

Perhaps this applies to you, or you have clients who may benefit from a family foundation.

I sincerely hope you find this newsletter an enjoyable and informative read, and look forward to working with you. Feel free to forward on to a work colleague, friend or family member.

Kindest regards,
Dr Robb Musgrave
Managing Director, Legenis

Legenis: Leaving a lasting legacy for families, foundations, corporations and non-profit communities by empowering them to do the right things, by doing things right.

ARTICLE 1

ARTICLE 2

ARTICLE 3

ARTICLE 4



Article 1

Foundations Make Good Cents

Legenis consults and develops Family and Corporate Giving Programs throughout Australia. We work with high-net-worth individuals and their professional advisers as well as with corporations and associations to develop the appropriate structure to realise our clients' philanthropic values and maximise the results achieved from their Giving Program.

Why are Family Foundations formed?

Foundations are formed to:

- Support and perpetuate the founder's core values
- Teach the principles of philanthropy, compassion and commitment to future generations of family and community
- Maintain family control over its wealth
- Minimize tax exposure and erosion of the estate.

What motivates a wealthy individual to establish a foundation?

The most compelling reason is an inherent recognition that wealth creates responsibility; in this case, social responsibility. Also, there is a growing awareness of the potentially adverse affect of excessive inherited wealth on children, grandchildren

and future generations.

When asked what he intended to leave his children Warren Buffet reportedly once said, *"I want to leave them enough to do anything they want, but not enough to do nothing."*

Therefore, in growing numbers, affluent individuals are responsibly and effectively transferring their wealth to their own charity, the family foundation.

Family foundations are often created to provide lasting legacies. Sometimes issues are centred on specific missions and sometimes the legacy is as simple as instilling basic morals in the generations to follow.

Preparing the next generation for transition takes a good deal of planning and documentation. Funding the legacy properly to reflect the intention of the founder is also critical.



Article 2

If the Shoe Fits!

Several years ago Mike was playing tennis at a fitness centre when he noticed that members were throwing out their sports shoes in the garbage, and the shoes were rarely worn out. An idea occurred to him. He began collecting the used shoes, washing them, sorting them and sending them to parts of the world where children especially were forced to go barefoot, exposing them to disease. Mike's simple idea turned into a major charitable operation, and today he sends tens of thousands of shoes around the world.

A passion for social justice and a desire to make a difference keep Mike going at his excellent philanthropic work. That passion was in Mike long before he found a vehicle for it, and it all came to pass because of the nature of his concern, his awareness, and his desire to do something.

Mike never sat down and asked what he should be or how he could best fulfil himself. He kept his eyes open and saw where there was a need and suffering in the world, and out of that communal outlook he created a life's work.

Source: Thomas Moore, "A Life at Work"



Article 3

What do Legacy Families Have in Common?

What is that secret ingredient that leads to the creation of a successful, cohesive, loving family that stays close and retains common values across the generations? A Legacy Family.

Legacy families demonstrate the following characteristics:

Capacity. Members of a *Legacy Family* recognize the importance of contributions to the financial, human, intellectual, and social capital of their family and community. They add value to one another's lives and those around them. Sometimes the value is expressed in financial results or public service in the arts, science, education, and healthcare, as well as through effective parenting and grand-parenting.

Connection. Members of a *Legacy Family* are connected to their ancestors and to their descendants. The family heritage is nurtured and passed on to those who follow. They maintain loving and positive family relations and promote effective generational governance structures which assure the success of their successors.

Compassion. Members of a *Legacy Family* recognize their good fortune, empower each family member to become the best he or she can be, and willingly embrace their responsibility to give back. You'll see them volunteering their time and talent, sharing their financial resources, and helping to meet the needs of others.

Competency. Members of a *Legacy Family* develop the competencies to handle the responsibilities of wealth and effectively utilize the opportunities that have been provided to them. They have learned essential financial and life skills to enable them to be productive, self-sufficient, and collaborative adults.

Your story may not have the happy ending you wish without careful planning and preparation.

It's as true in life as it is in business. To paraphrase the Cheshire cat in Lewis Carroll's *Alice in Wonderland*, if you're not sure where you're going, you're likely to end up somewhere else. You must have a thoughtful plan that will help guide you and your family.

If you are interested in creating a legacy for your family, your plan will need to:

- articulate your vision and aspirations for the future
- address critical family issues like parenting, communication collaboration, conflict resolution, and core values
- consider the resources that may be needed by the family over time
- establish a structure for governance and leadership that will help guide the family as it grows and develops, and
- create a process for future generations to help each member shape their own future while nourishing their close family bonds.

It will be very difficult for any family to flourish through the generations if it does not maintain a balance in the four capitals of wealth. These four capitals - human, financial, intellectual, and social - must be replenished and enhanced by each generation. If one generation is allowed to live off the success of those who preceded it, then future generations are unlikely to ever recover.

Your family should strive to develop a strong model for:

- collaborative decision-making
- communicating in a constructive, not destructive, manner
- resolving conflicts before they erode relationships
- setting realistic expectations of each other
- giving responsibility that's earned and holding each other accountable
- telling stories of the family history and heritage
- playing together and having fun, and
- perpetuating the core values that define your family, such as integrity, caring, patience, and persistence.

Every family has the opportunity to be a *Legacy Family*. If you're successful in this effort, then 50 years from now your life's story will be told and retold at the gatherings of your large, loving, and productive family. Now that would be a story worth reading!



Article 4

Cultural Obligations of the Wealthy

Sam Lipski AM, when Chief Executive of the Pratt Foundation (founded in 1978 by businessman Richard Pratt), compares the philanthropic cultures of Australia with the USA.

"It is worth remembering that in Australia we are relatively new to real wealth. As recently as 25 years ago, most of the people who are now prominent in the BRW Rich List weren't significantly wealthy. There is just a handful of Australian families who have been rich for several generations, and it's unreasonable to expect that the philanthropic tradition that has developed in the USA will be reproduced here immediately. But over the next ten years I believe we will see a rapid and significant growth in the number of new foundations, and new patterns of giving from the newly wealthy – or perhaps from their children."

One of the big challenges for charities and cultural organisations is to facilitate this process, and here again, I think we can learn a lot from the USA. There the newly wealthy are encouraged and actually helped to discover that being rich brings opportunities to do things that are fun, and can make a difference. They also find that their giving brings them respect, appreciation, and exposure to cultural experiences. Philanthropy in the USA is a door-opener to a lot of desirable areas, including politics. The idea of the celebrity benefit dinner is well-known, and if you want to be part of that world and be invited to the right places, you know that there's a charge. There's no such thing as a free evening with Barbra Streisand."

That sort of thing has always existed to some extent in Australia, and people who gave away money to good causes have always had a certain cachet, but in the USA the system is bigger, and much more professionally managed."

Source: Denis Tracey's book, Giving it Away: In Praise of Philanthropy

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