



HIGH NET WEALTH GIVING IN AUSTRALIA:

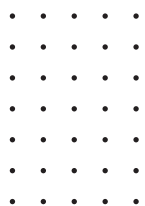
A REVIEW OF THE EVIDENCE

Summary Report

*Paul Flatau, Leanne Lester, Jeremiah Thomas Brown,
Michael Kyron, Zoe Callis, and Kristy Muir*

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CONTACT DETAILS

REPORT AUTHORS

Professor Paul Flatau	Director of the Centre for Social Impact at The University of Western Australia	paul.flatau@uwa.edu.au
Dr Leanne Lester	Centre for Social Impact at The University of Western Australia	leanne.lester@uwa.edu.au
Dr Jeremiah Thomas Brown	UNSW Canberra School of Business; formerly Centre for Social Impact	jeremiah_thomas.brown@unsw.edu.au
Dr Michael Kyron	Centre for Social Impact at The University of Western Australia	michael.kyron@uwa.edu.au
Zoe Callis	Centre for Social Impact at The University of Western Australia	zoe.callis@uwa.edu.au
Professor Kristy Muir	CEO, Paul Ramsay Foundation; former CEO of the Centre for Social Impact	k.muir@unsw.edu.au

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DISCLAIMER

The opinions in this report reflect the views of the authors and do not necessarily reflect those of UNSW, UWA, or The Petre Foundation who provided funding for the study.

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See the full report on which the summary report is based for further analysis.

Flatau, P., Lester, L., Brown, J.T., Kyron, M., Callis, Z., & Muir, K. (2022). *High Net Wealth Giving in Australia: A Review of the Evidence*, Centre for Social Impact: UNSW and UWA. DOI: <https://doi.org/10.25916/lmyr-rj65>.

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LIST OF ABBREVIATIONS

ABS: Australian Bureau of Statistics

ACNC: Australian Charities and Not-for-profits Commission

AFR: Australian Financial Review

ATO: Australian Taxation Office

AUD/A\$: Australian Dollar (Used to avoid confusion when comparing with US Dollars. Values denoted only by \$ can be assumed to be Australian Dollars).

COVID-19: Coronavirus Disease 2019

CSI: Centre for Social Impact

GDP: Gross Domestic Product

HNW: High Net Wealth/Worth

LHS: Left Hand Side

OECD: Organisation for Economic Co-operation and Development

PAF: Private Ancillary Fund

PubAF: Public Ancillary Fund

RHS: Right Hand Side

UHNW: Ultra High Net Wealth/Worth

USD/US\$: United States Dollar

THE REPORT

Despite almost three decades of growth in national wealth, Australia continues to experience entrenched social and environmental issues. Growing wealth inequality in many countries is worsening social outcomes. Further, there has been an unprecedented growth in wealth at the top end – including in Australia. Thus, certain groups are in a better financial position to support important social and environmental impact projects than others. Philanthropy has a key role to play in helping to address these issues.

This summary report¹ provides an analysis of giving by Australians, with a focus on High Net Wealth² (HNW) and Ultra High Net Wealth³ (UHNW) giving. Australia is a wealthy country by international standards and has become increasingly so. This report looks at whether Australia's giving rates have kept pace with wealth growth, particularly among HNW and UHNW groups.

In this study, the Centre for Social Impact (CSI) finds that giving in Australia is comparatively low relative to other high-income countries and that there is significant scope for increased giving, especially by the wealthiest. Increased giving by this group could be game-changing for the Australian charitable sector and social purpose activity in Australia.

WHY GIVING MATTERS

Charities play a critical role in society. The value of charities to the Australian community has become particularly evident in recent years in the context of natural disasters, the global COVID-19 pandemic, and the emergence of social movements focused on issues such as marriage and gender equality, climate change, and ending family and domestic violence. Charities fulfil many functions, providing emergency support and care to the most vulnerable, building social and community connections, responding to natural disasters, and raising awareness about important issues. They also serve an economic role, supporting financial wellbeing and employing one in 11 people in Australia's workforce.

During the last two years, Australia's charity sector has faced increased demands but has lacked sufficient resources to meet them. CSI's Pulse survey of the for-purpose sector found approximately 80% of service providers had received requests for support they could not meet, while approximately 75% reported being financially strained during the COVID-19 pandemic (Muir et al., 2020; Muir et al., 2021).

While donations to charities have increased, they only account for 7% of the sector's revenue (Australian Charities and Not-for-profits Commission, 2022). As philanthropy is often directed to higher-risk endeavours that may not otherwise receive funding support, the level of giving has significant implications for social outcomes in Australia.

1 The full report on which this summary report is based provides detailed analyses, technical information and additional data, figures and tables. See Flatau, P., Lester, L., Brown, J.T., Kyron, M., Callis, Z., & Muir, K. (2022). *High Net Wealth Giving in Australia: A Review of the Evidence*, Centre for Social Impact: UNSW & UWA. DOI: <https://doi.org/10.25916/ranq-n886>

2 High Net Wealth or Worth (HNW) individuals are typically defined as those with at least US\$1 million in investible assets. The terms High Net Wealth and High Net Worth are used interchangeably in the literature.

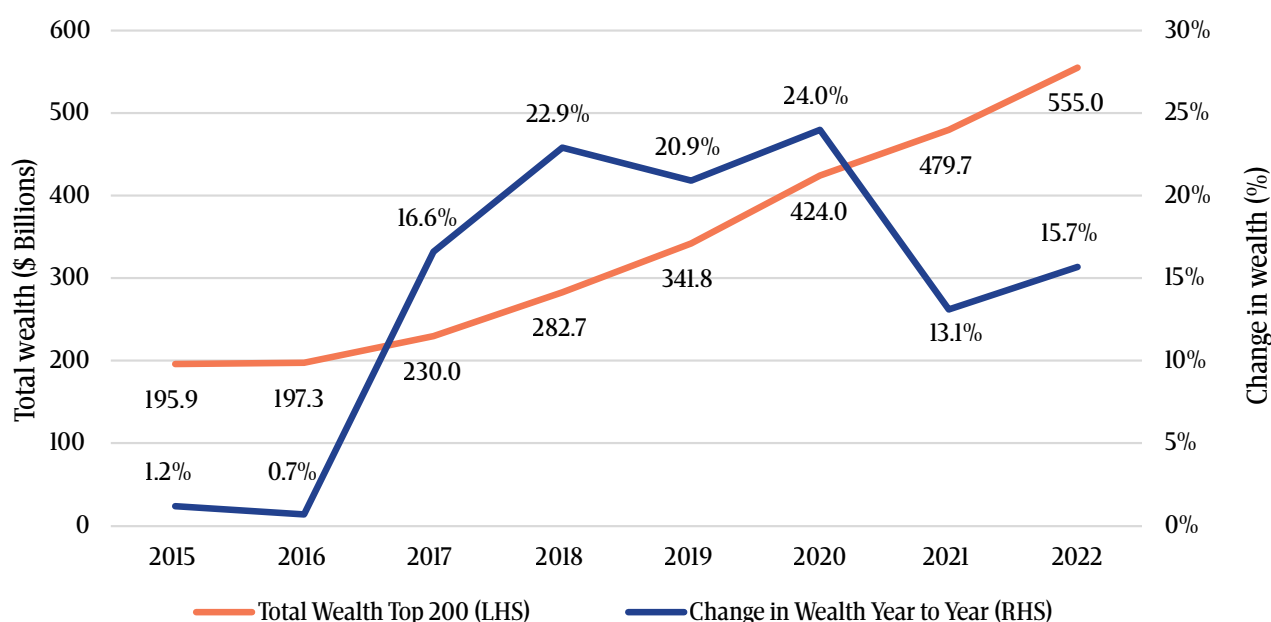
3 Definitions for the Ultra High Net Wealth/Worth (UHNW) category are mixed, with a starting point ranging from US\$30–50 million.

AUSTRALIA: ONE OF THE WORLD'S WEALTHIEST NATIONS

Australia has the world's second highest median level of wealth and the fourth highest average level of wealth, according to Credit Suisse Research Institute estimates of global wealth (Shorrocks et al., 2021). More than 1.8 million people – or one in 11 people – have over US\$1 million in wealth (~A\$1.4 million).

We have also become wealthier in recent years. The Australian Bureau of Statistics Survey of Income and Housing shows Australia's mean household net wealth increased from \$878,200 in 2009/10 to \$1,042,000 in 2019/2020, a rise of 18.7% in a decade. However, it is the wealthiest who have experienced strongest wealth growth. The annual Australian Financial Review (AFR) AFR Top 200 Rich List shows the total wealth of the 200 wealthiest Australians has almost tripled since 2015, increasing from \$195.9 billion to \$555 billion. The wealth held by the Top 200 Australian Financial Review (AFR) Rich List for 2022 grew by 15.7% on the previous year; the annual wealth growth for this group has not fallen below 12% since 2016, and has been as high as 24% (Figure 1).

FIGURE 1: TOTAL WEALTH AND CHANGE IN WEALTH OF AFR TOP 200 RICH LIST



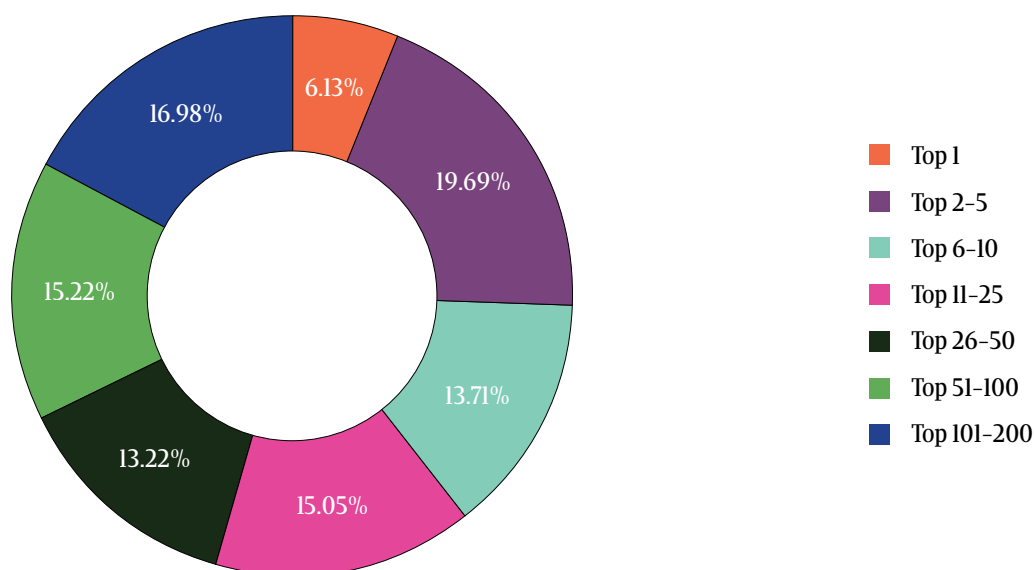
Source: Authors' calculations from the 2015 to 2022 AFR Top 200 Rich List (AFR, 2015–2022) LHS – left hand side. RHS – right hand side.

AUSTRALIA'S WEALTH IS HIGHLY CONCENTRATED

Even in the economic shock of the global COVID-19 pandemic, 167 of the 200 wealthiest Australians experienced an increase in wealth. Overall, wealth for this group increased by 17.9%.

Collectively, the top 200 hold 3.8% of Australia's wealth (\$555 billion of an estimated \$14,677 billion). The top five hold \$143.28 billion, almost 1% of Australia's total household wealth and over 25% of the top 200 wealth (Figure 2). The top 25, with \$302.91 billion, hold just over 2% of household wealth. Although Australia's wealth is highly concentrated, the philanthropic profile of HNWI individuals remains largely under-explored due to data gaps.

FIGURE 2: ULTRA HIGH NET WEALTH AS SHARE OF AFR TOP 200 RICH LIST, BY RANK, (2022)



Source: Authors' calculations from AFR 2022 Top 200 Rich List data (AFR, 2022).

ARE AUSTRALIANS GENEROUS DONORS?

Australian charities and not-for-profit organisations registered through the ACNC received a record \$12.7 billion in donations and bequests in 2020, up from \$11.8 billion in 2019 and \$10.5 billion in 2018 (ACNC, 2020; 2021, 2022). The top 50 donations in Australia (based on the Financial Review Philanthropy 50 List) were valued at \$942 million in 2020/21 and \$964 million in 2019/20; a reduction of 2.3% after a period of growth in previous years (McLeod, 2021)⁴. The top four donors in 2020/21 were the Paul Ramsay Foundation (\$143 million), Minderoo Foundation (\$109.7 million), Yajilarra Trust (\$104.1 million) and the Lowy Foundation (\$69.8 million).

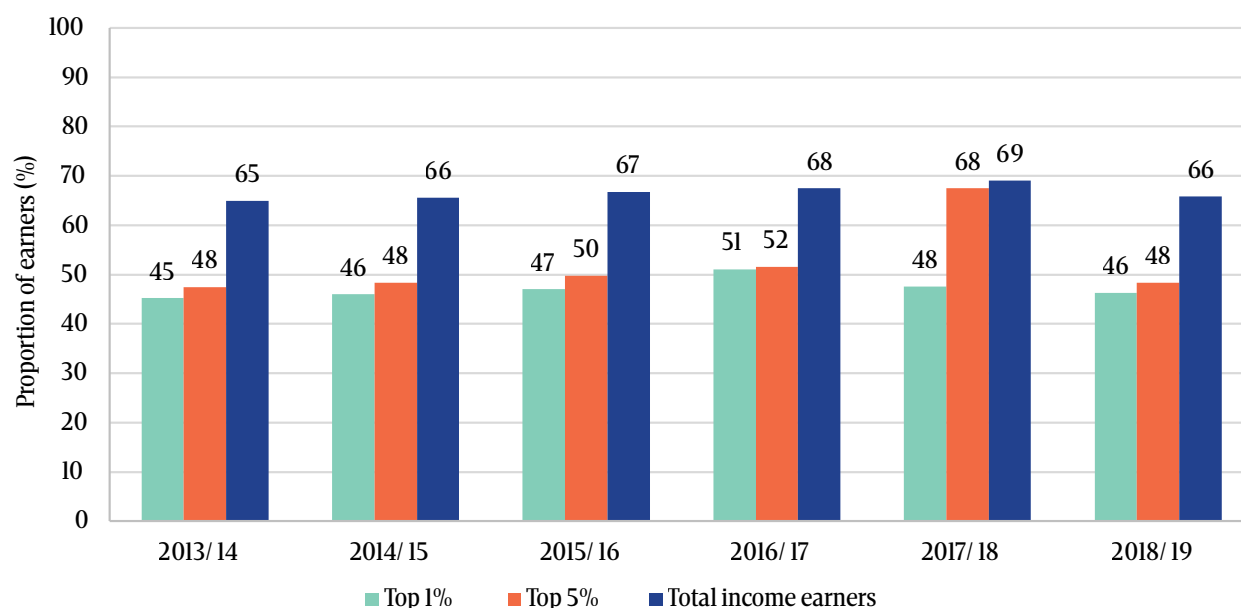
However, a deeper look at the numbers shows a lot of untapped potential in philanthropic giving, with Australians lagging behind their international peers.

MOST INCOME EARNERS IN AUSTRALIA DO NOT CLAIM TAX-DEDUCTIBLE GIVING

Between 2013/14 and 2018/19, almost two-thirds of taxable income earners did not report any tax-deductible donations. Among the highest income earners almost half did not report any donations in 2018/19 (Figure 3).

⁴ The Financial Review Philanthropy 50 List is based on publicly available data and data from those who have agreed to be on the list.

FIGURE 3: PERCENTAGE OF TAXABLE INCOME EARNERS WHO DO NOT CLAIM ANY TAX DONATIONS (2013/14 – 2018/19)

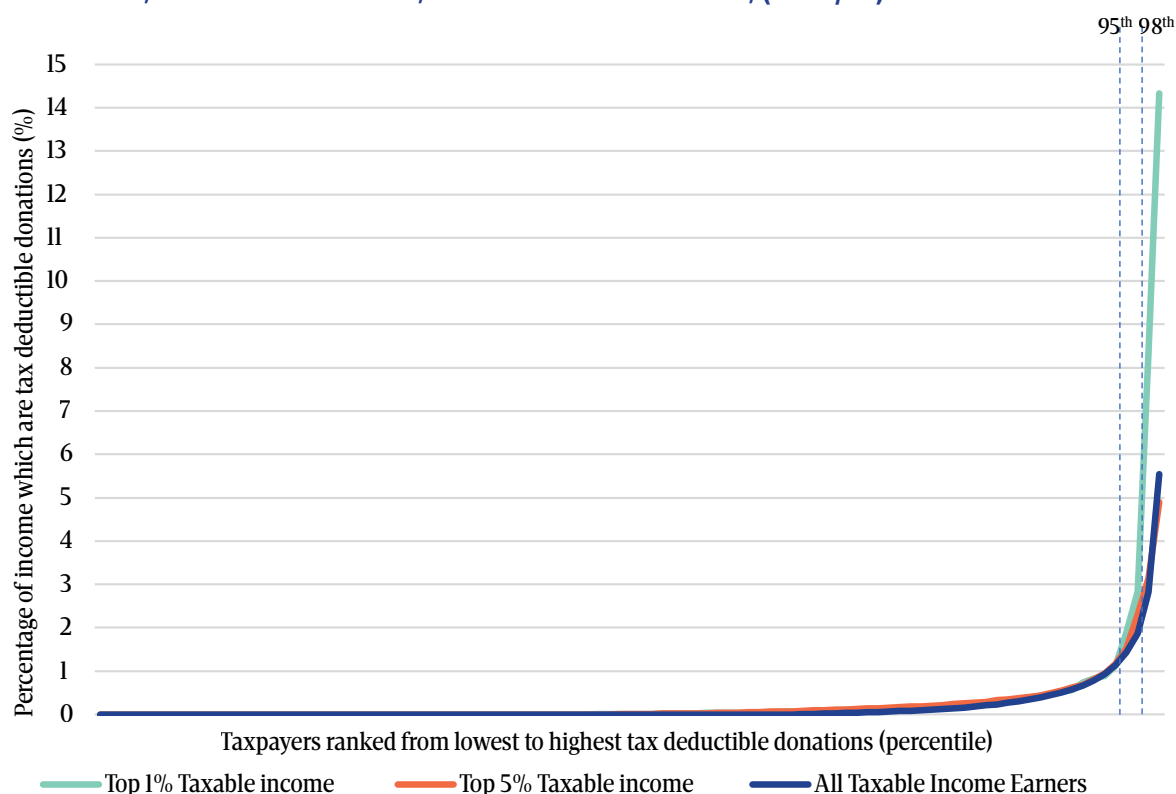


Source: Authors' calculations from Australian Taxation Office (ATO) 2% sample files 2013/14–2018/19 (ATO, 2021).

SCOPE FOR HIGHER INCOME EARNERS TO GIVE MORE

Of those who did report donations, 5% of income earners gave more than 1% of their total income (Figure 4). Strikingly, only 2% of people in the top 1% of income earners gave a higher proportion of their income than people in other income groups.

FIGURE 4: FREQUENCY DISTRIBUTION OF TAX-DEDUCTIBLE DONATIONS AS A PROPORTION OF TAXABLE INCOME, BY INCOME GROUP, ATO 2% SAMPLE FILES, (2018/19)



Source: Authors' calculations from 2018/19 ATO 2% sample files (ATO, 2021) comprising n=65,535 tax payers. The top 1% and top 5% refer to individuals with taxable income in the top 1% and top 5% of each file. Total refers to all individuals within the file and includes those within the top 1% and top 5%. Donations are total tax-deductible donations. Recently released 2% sample files for 2019/20 show only the top five percent of those in the high-end income bracket donated 1% or more of their income.

AUSTRALIANS GIVE LESS THAN INTERNATIONAL PEERS

Total giving accounts for 0.81% of Australia's GDP⁵. However, Australian giving rates are lower than other countries, such as the United Kingdom (0.96%) and Canada (1%), and less than half the rate of New Zealand (1.84%) and the United States (2.1%; Philanthropy Australia, 2021). Among people with a taxable income over A\$1 million, only 55% of Australians make tax-deductible donations, compared to 90% of Americans.

It is important to note that ATO tax-deductible donations data do not include other forms of giving; most obviously volunteering time which has fallen significantly in recent years. For example, income earners may give without claiming a tax deduction. Alternatively, they may conduct their philanthropy through other structures, such as Private Ancillary Funds (PAFs) or Public Ancillary Funds (PubAFs)⁶. This report focuses on PAFs as they are of greater interest in the HNW and UHNW context. However, recently released Australian census data on volunteering showed a 19% decline in volunteering from 2016 to 2021 (Australian Bureau of Statistics, 2022).

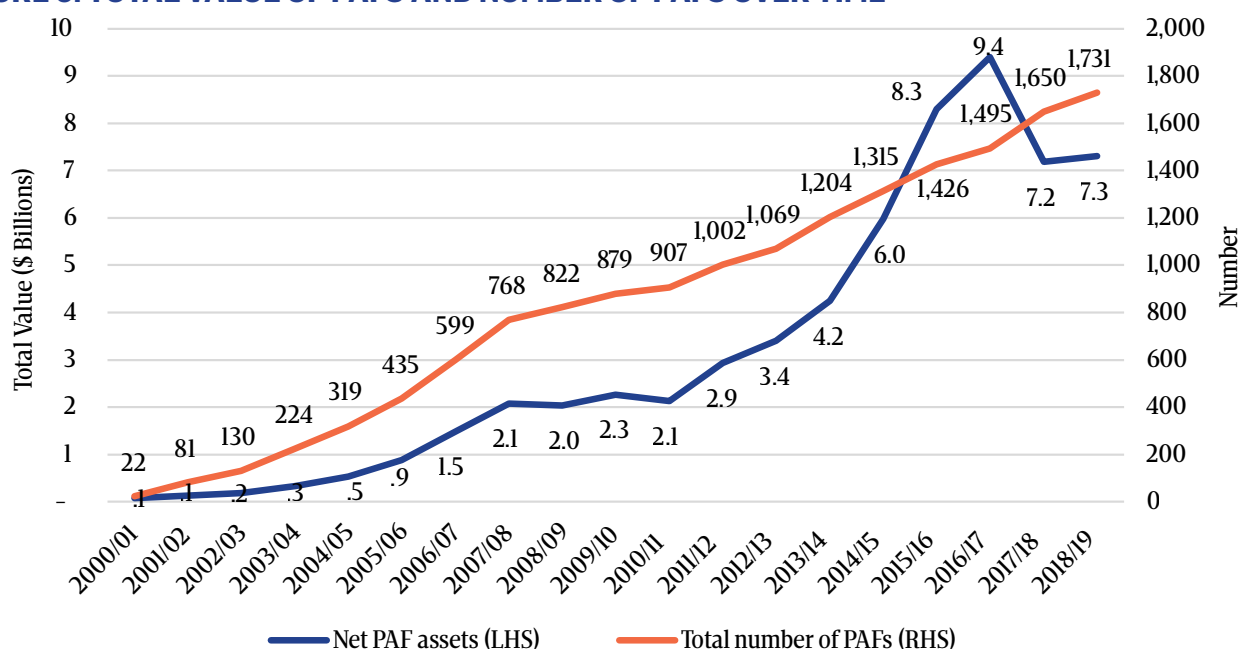
PRIVATE ANCILLARY FUNDS (PAF) TRENDS PROVIDE FURTHER INSIGHT

Private Ancillary Funds (PAFs) are one of the main forms of structured giving in Australia. As a vehicle that is primarily used by wealthier Australians, they provide some insight into HNW giving.

PAFs IN AUSTRALIA CONTINUE TO RISE

The number of PAFs in Australia has more than doubled from 822 in 2008/09 to 1,731 in 2018/19. In that time, combined assets have more than tripled from \$2 billion to \$7.3 billion (Figure 5).⁷

FIGURE 5: TOTAL VALUE OF PAFs AND NUMBER OF PAFs OVER TIME



Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022). LHS – left hand side. RHS – right hand side.

⁵ Total giving includes bequests, PAFs, charitable trusts, corporate donations/partnerships/sponsorships, and individuals.

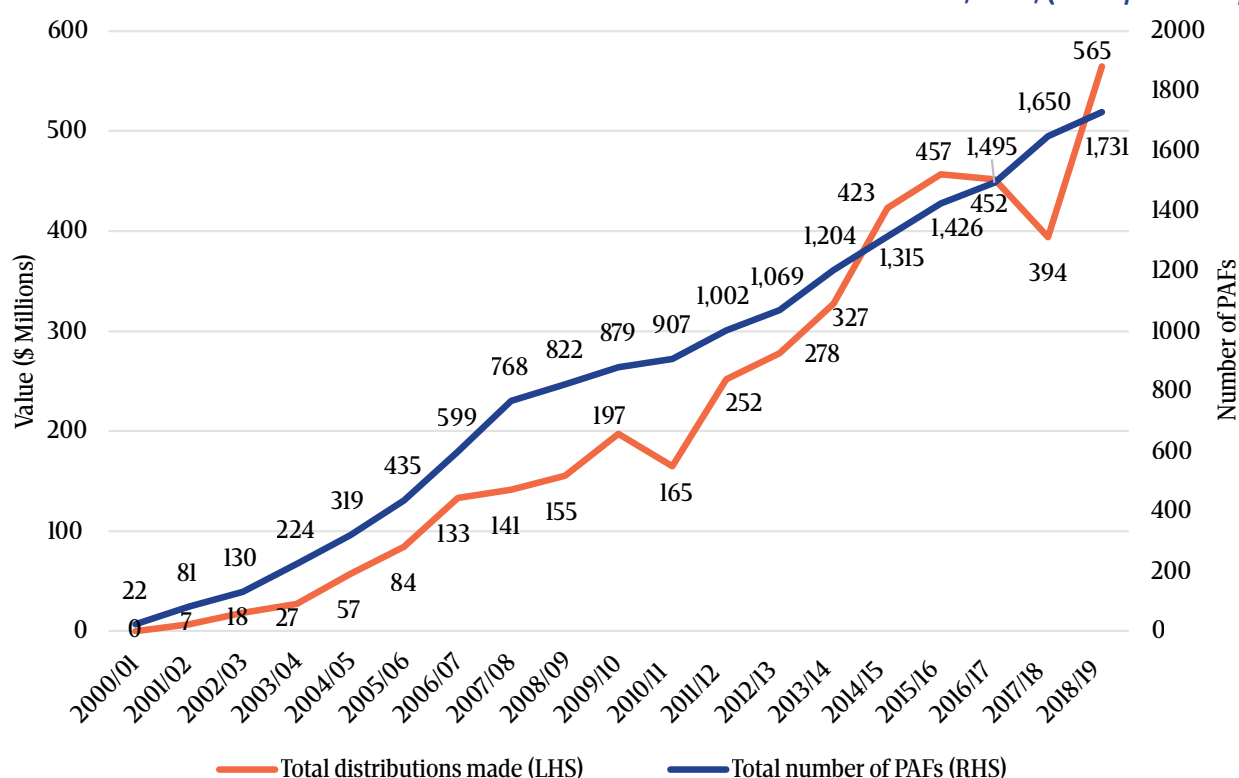
⁶ Just released ATO data in 2019/20 shows a further increase in net assets to \$7.6 billion, and an increase of total number of PAFs to 1,819.

⁷ The total assets held by PAFs was skewed by the addition of the Paul Ramsay Foundation.

PAF DISTRIBUTIONS REMAIN STEADY AS A PERCENTAGE OF ASSETS HELD

PAF distributions have grown steadily over the last decade, from \$155.2 million in 2008/09 to \$565 million in 2018/19 (Figure 6). This is consistent with the requirement for PAFs to distribute at least 5% of their net asset value each year.

FIGURE 6: ANNUAL PAF DISTRIBUTIONS AND NUMBER OF PAFS OVER TIME, ATO, (2000/01-2018/19)



Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022). LHS – left hand side. RHS – right hand side.

The average PAF distribution in 2018/19 was \$326,000, the highest since their inception. The proportion of distributions as a share of net PAF assets has remained consistent at around 8%.

PAF GROWTH HAS NOT KEPT PACE WITH INCREASED WEALTH

While PAFs continue to grow in Australia, they have not kept pace with the growth in wealth. PAF assets represent 2.14% of wealth held by the top 200, down from 3.05% five years ago (Figure 7). Distributions as a share of wealth have also fallen (Figure 8).

FIGURE 7: PAF ASSETS AS A SHARE OF AFR TOP 200 WEALTH

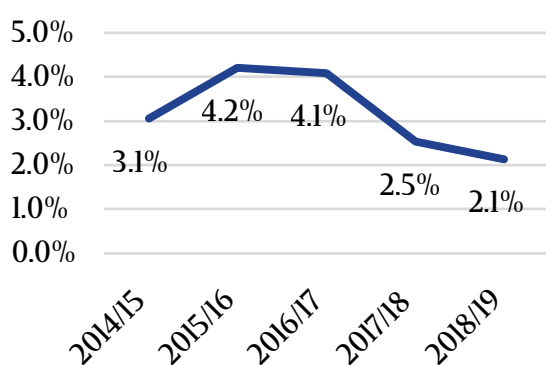
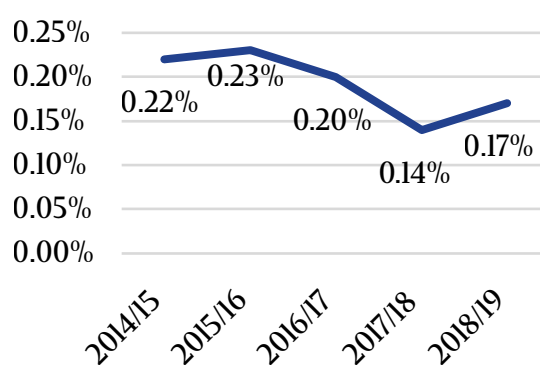


FIGURE 8: PAF DISTRIBUTIONS AS A SHARE OF AFR TOP 200 WEALTH



Source: Authors' calculations using data from AFR Top 200 Rich List years 2015 through to 2019 (AFR, 2015; Australian Financial Review, 2016, 2017, 2018, 2019). ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

THE GIVING RECORD OF AUSTRALIA'S WEALTHIEST

It is difficult to accurately estimate UHNW giving in Australia. We undertook some exploratory analysis using wealth and philanthropy lists as proxy data. These included the AFR 2021 and 2022 Top 200 Rich List, the 2022 Financial Review Philanthropy 50 list and The Australian's 2021 Philanthropy 25 List (AFR, 2021; AFR, 2022; McLeod, 2022; The Australian, 2021).⁸

LEVELS OF GIVING AMONG ULTRA HIGH NET WEALTH (UHNW) PEOPLE ARE PATCHY

The 2022 Financial Review Philanthropy 50 List is not comprehensive, being based on publicly available data and from those who agreed to be on the list. However, matching the available data of the donors on the 2022 Financial Review Philanthropy 50 List to the AFR 2022 Top 200 Rich List gives an indication of levels of giving among some UHNW individuals in Australia. The 2022 Financial Review Philanthropy 50 List exhibited a drop in philanthropic giving in 2022; a departure from the trend of increasing giving in previous years. Only 15 donors on the 2022 Financial Review Philanthropy 50 List are also on the AFR 2022 Top 200 Rich List (Figure 9). Examining the giving behaviour of those on both lists revealed:

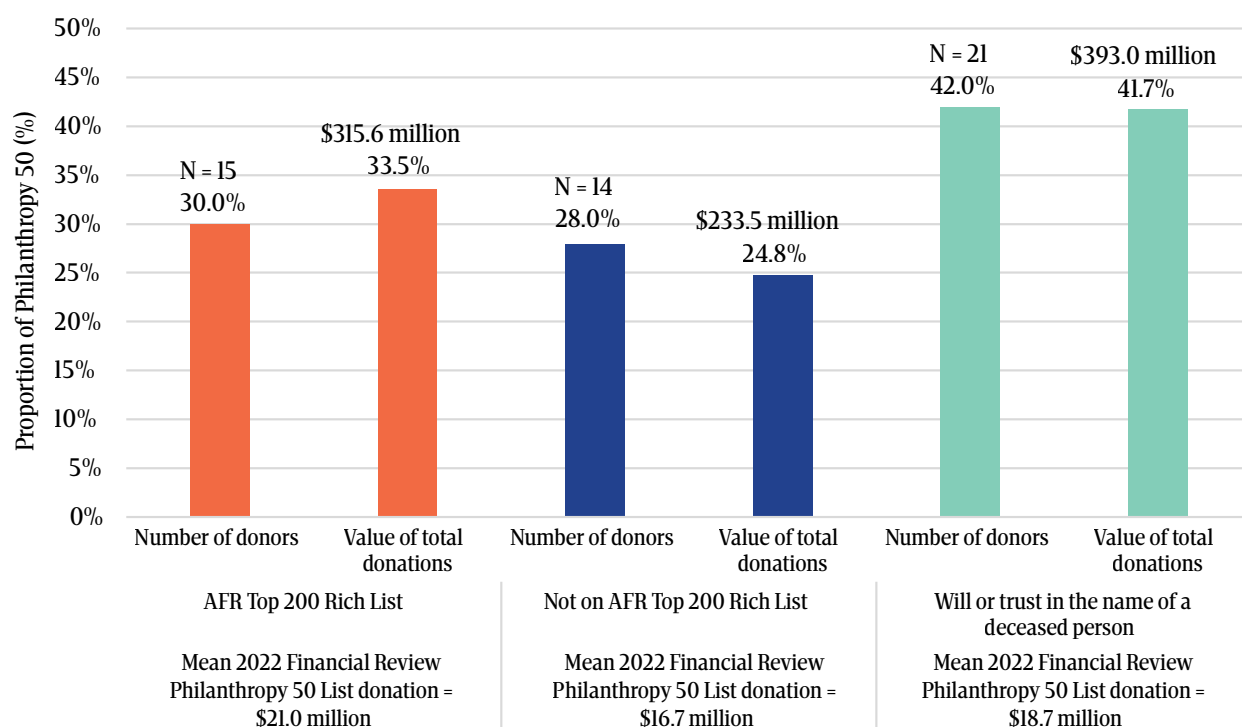
- Three donors on both the 2022 Financial Review Philanthropy 50 List and the AFR 2022 Top 200 Rich List donated 0.75% or more of their wealth in 2020/21, which accounted for 10.8% of donations among the top donors
- 15 donors on both the 2022 Financial Review Philanthropy 50 List and the AFR 2022 Top 200 Rich List donated between 0.03% and 1.46% of their wealth, which accounted for one-third of the listed donations
- The largest donation made by a foundation (\$143 million) on the 2022 Financial Review Philanthropy 50 List represented just 0.42% of the wealth held by the wealthiest Australian (\$34.02 billion)
- The largest personal donation (\$109.7 million) on the 2022 Financial Review Philanthropy 50 List represented 0.32% of the wealth held by the wealthiest Australian (\$34.02 billion).

A large proportion of the top 50 donors on the 2022 Financial Review Philanthropy 50 List are foundations of people who are deceased⁹. This group made up 42% of the total value of the top 50 donations, with the largest donation from the Paul Ramsay Foundation (\$143 million).

⁸ There are significant differences in the counting methods of the two philanthropy lists. In the main report, we analyse each separately to demonstrate that on either set of assumptions there is room for increased giving.

⁹ The deceased group includes publicly reported bequests.

FIGURE 9: NUMBER OF DONORS AND VALUE OF DONATIONS IN THE 2022 FINANCIAL REVIEW PHILANTHROPY 50 LIST, BY AFR TOP 200 RICH LIST MEMBERSHIP, (2022)

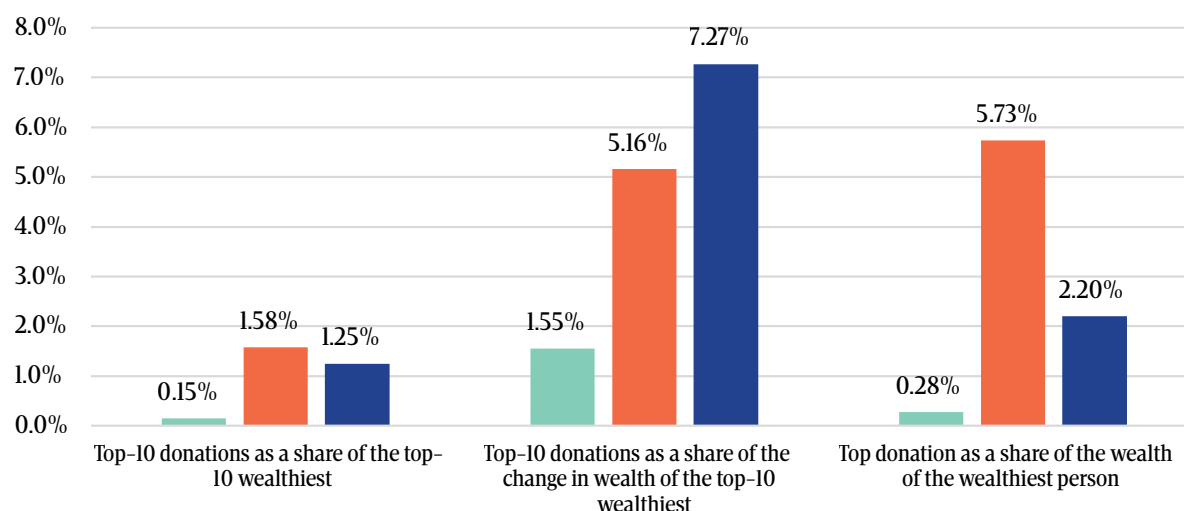


Source: Authors' calculations using AFR Top 200 Rich List data (AFR, 2022) and 2022 Financial Review Philanthropy 50 List data (McLeod, 2022).

ULTRA HIGH NET WEALTH (UHNW) DONATIONS IN AUSTRALIA LAG INTERNATIONAL PEERS

As a proportion of their wealth, Australia's wealthiest give considerably less than their international peers. In 2021, the top 10 donations from The Australian Top 25 Philanthropic Donations List in Australia account for only 0.15% of the wealth of the 10 wealthiest Australians on the AFR Top 200 Rich List, compared to 1.25% in the United Kingdom and 1.58% in the United States. As a percentage of wealth growth, Australia's top 10 known donations also fall well below the United States and United Kingdom (1.55%, 5.16% and 7.27% respectively). Australia's top donation from The Australian Top 25 Philanthropic Donations List represented 0.32% of the wealth of the wealthiest person, compared with 2.2% in the United Kingdom and 5.73% in the United States (Figure 10).

FIGURE 10: TOP DONATIONS FROM THE AUSTRALIAN TOP 25 PHILANTHROPIC DONATIONS LIST 2021 BY THE WEALTHIEST IN AUSTRALIA, US, AND UK*, (2021)



Source: Authors' calculations using data from AFR 2021 Top 200 Rich List (AFR, 2021), The Australian Top 25 Philanthropic Donations List 2021 (The Australian, 2021), the Forbes Rich List (Forbes, 2021), The Chronicle of Philanthropy, Philanthropy 50 Donation List (Di Mento, 2021), The Sunday Times Rich List (Watts, 2021), and The Sunday Times Giving List (The Sunday Times, 2021). * Data for the same period for Canada and New Zealand was not available; Comparison should be treated with some caution, as the values are calculated from a variety of sources using different methodologies. Philanthropy list-based data is based on publicly available data and data from those who have agreed to be on the list.

Low giving rates are also evident when compared to the Forbes 400 list, 19% of whom have given away at least 5% of their wealth (Table 2). Donations for the Forbes 400 represent lifetime donations whereas our analysis only covers 2019/20. However, if the 200 wealthiest Australians continue to donate at the rate they did in the previous year while their wealth continues to grow, a significantly smaller proportion will reach the Forbes 400 level of donations over their lifetime.

TABLE 1: FORBES 2021 PHILANTHROPY SCORES, (2020 AND 2021)

Score	Score definition	Number of Forbes 400 Members (2021)	Number of Forbes 400 Members (2020)
1	Have given away less than 1% of their wealth	156	127
2	Have given away in between 1% and 4.99% of their wealth	116	120
3	Have given away in between 5% and 9.99% of their wealth	44	56
4	Have given away in between 10% and 19.99% of their wealth	11	19
5	Have given away more than 20% of their wealth	8	10
N/A	Data unavailable	65	68

Source: Forbes Philanthropy Score 2021 (Tucker, 2021).

WHAT MIGHT BE POSSIBLE IF GIVING INCREASED?

IF HNW AND UHNW PEOPLE IN AUSTRALIA GAVE MORE GENEROUSLY, IT COULD TRANSFORM THE CHARITABLE SECTOR AND SOCIETY

The Australian charitable sector is currently underfunded, with many organisations reporting significant financial vulnerabilities (Muir et al., 2020; Muir et al., 2021). Australian charities had an annual revenue of approximately \$176 billion in the 2020 reporting year, of which \$12.7 billion came from donations (ACNC, 2022).

A small change in the giving rates of Australia's wealthiest people would substantially increase the funds available to the charitable sector and the people, communities, and environment it serves. For example:

- A commitment by the 200 wealthiest Australians to the 'Pledge 1%' model¹⁰ would generate \$5.55 billion for the sector, an additional 3.2% in revenue and 43.7% in donations to ACNC charities..
- Extending the 1% giving pledge to all households with net wealth greater than \$50 million (using our exploratory analysis on the distribution of high-end household net wealth in Australia) is estimated to increase the pool of donations by between \$7.9 billion and \$8.5 billion (depending on data sources used in the estimation).
- If the top 200 donated 1.46% of their wealth (the highest rate of giving amongst the group matched to the Financial Review Philanthropy 50 List), it would represent an additional \$8.1 billion for the sector, boosting revenue by 4.6%.
- A pledge by the wealthiest 200 Australians to commit their annual wealth growth would raise \$99.2 billion for the sector, almost eight times current annual donations.

These numbers can also be viewed in the context of social and environmental issues facing Australia and the funds required to address them. For example, the Grattan Institute estimates access to subsidised, affordable dental care would cost \$5.6 billion a year, while access to subsidised, affordable childcare would cost around \$5 billion a year. A 'Pledge 1%' undertaking by the top 200 could cover one of these initiatives.

INHERITANCE TAX

Other avenues to increase funding to the charitable sector include the application of an inheritance tax on HNW individuals, with the proceeds hypothecated to a fund open only to charities. While Australia has not had an inheritance tax since 1979, most OECD countries do currently have a tax. It is difficult to determine how much revenue such a tax would generate. Our calculations are based on ABS death rates and estimated individual net wealth (excluding owner-occupied housing equity) in Australia.

An inheritance tax would still add considerable resources to the charitable sector. We calculate a 5% tax with a \$10 million net wealth threshold (excluding owner occupied housing equity) would raise between \$2.3 and \$3 billion annually for a national fund for charities. Raising the threshold to \$20 million would raise between \$1.7 billion and \$2.3 billion annually, while a \$50 million threshold would generate between \$1.2 and \$1.6 billion annually.

CONCLUSION

While Australia is a wealthy country with a number of generous donors, there is scope to increase current rates of giving among Australia's wealthiest. Despite the impact of the COVID-19 pandemic on the economy, many of the wealthiest Australians are in a position to give more generously, following an average 15.7% increase in their wealth last year. A slight increase in their giving capacity would dramatically boost the Australian charitable sector and could improve social and environmental outcomes across the country.

¹⁰ Pledge 1% is a global corporate philanthropy movement whose member companies commit to giving 1% of equity, staff time or product back to their communities.

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