THE GIVING REPORT II

A survey on the giving practices of high-net-worth individuals in South Africa

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HIGHLIGHTS

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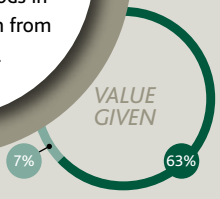
91%
of HNW individuals gave money, time or goods in 2012, slightly down from 94% in 2010.

TOP REASONS FOR GIVING
- **Care** about the cause
- Want to **make a difference**
- Want to **give back** to my community
- Religious **beliefs**
- Family **tradition**

VALUE GIVEN



Most (63%) gave less than R25 000 in value (2010: 50%). At the high end, 7% gave more than R100 000 in value (2010: 6%).

BENEFICIARIES

Giving most commonly targeted social and community development causes (hospices, children's homes, support for the aged).

56% Implementing institutions (non-profit organisations) were the most popular beneficiary type.

4% Political parties and advocacy groups were the least popular.

STRATEGIC PLANNING
More than half of givers have neither a strategy nor a budget for giving. Larger givers follow a more formalised approach to giving.

PURPOSE OF FUNDING
Nearly three-quarters (74%) of givers provide general support.

MOST IMPORTANT SELECTION CRITERIA
1. Alignment with personal interests
2. Reputation
3. Proven **impact**

Thank you

POST-DONATION BEHAVIOUR

Half of givers expect no follow-up after making donations. The most common expectations were a thank you letter and ongoing communication.

TRENDS

- Slightly **fewer HNW individuals gave** in 2012 (91% compared to 94% in 2010).
- **Value of giving** was marginally lower (63% gave less than R25 000, up from 50% in 2010).
- **Religion** was a significantly more common motivation for giving in 2012 (cited by 37% versus 19% in 2010).
- Givers are taking a **longer-term approach** to their donations: 45% have been giving to the majority of their beneficiaries for more than five years (2010: 33%).

MEASURING SUCCESS

70% of givers **do not** measure the impact of their donations.

FOREWORD

Vince Boulle

It has been two years since Nedbank Private Wealth (previously BoE Private Clients) launched South Africa's first Giving Report. We thank you for your overwhelmingly positive feedback and in response to the numerous requests for a follow-up study. I am delighted to present the Giving Report II – sooner than we had initially planned. This survey covers the giving activity during the full year of 2012 and also incorporates many of the suggestions we received for further details on certain subjects.

It has been an interesting two years for philanthropy in South Africa. Our hard-working charitable organisations have come under increased funding pressure, with some having closed their doors. At the same time, giving by high-net-worth (HNW) individuals was thrown into the public spotlight with Patrice Motsepe announcing his pledge of at least half of the funds generated by his family's assets towards philanthropy.

Through our dedicated Philanthropy Office we at Nedbank Private Wealth see that the work of so many local philanthropists, big and small, continues but often under the radar. We hope that the findings of this latest study again provide an opportunity for non-profit organisations (NPOs) and philanthropists to find out what HNW donors are doing, what areas they are supporting, and to what extent.

The vast majority of South Africa's HNW individuals are still involved in some form of giving, although this proportion has decreased slightly since 2010. The current global economic environment continues to have an impact on NPOs and certainly on some of their donors too.

We have also managed to approximate the rand value of giving by HNW individuals in South Africa, enabling us to share industry knowledge that was previously unavailable. The information we have gleaned clearly evidences the significance and volume of the financial contribution that HNW individuals make towards philanthropic causes in South Africa. This source of funding is an important lifeline for organisations that are turning to these donors for funding more and more as other sources decrease or dry up entirely.

There are many more interesting facts awaiting you in this report and we do hope that you find the information valuable and useful.

Last but not least, we would like to express our appreciation and thanks to our panel members who, once more, gave so willingly of their time and expertise. We are also extremely grateful to all the individuals who participated in the survey and to those philanthropists and experts who contributed opinion pieces this year, adding further background and context to enrich the subject matter of the survey.

Regards

Vince Boulle
Executive Head
Nedbank Private Wealth

INTRODUCTION

In 2010 BoE Private Clients undertook the first comprehensive national survey on the giving practices of HNW individuals in South Africa. The survey was well received and provided good baseline information on the topic.

This 2012 follow-up survey was conducted to identify giving trends that have emerged since 2010 and to continue to support the evolution of philanthropy in South Africa. BoE Private Clients had been rebranded in the intervening period and the 2012 survey was undertaken under the banner of Nedbank Private Wealth.

METHODOLOGY

The survey comprised 401 structured interviews with HNW individuals across the country, who were defined as those with either an annual income exceeding R1,5 million or investable assets (excluding their primary residence) of over R5 million.

The research process was supported by a panel of experts, who advised on topics of interest and questions and reviewed the results. Individuals who made up the panel were:

- Amanda Bloch: Philanthropist
- Anna Vayanos, Head: Philanthropy Office, Nedbank Private Wealth
- Barry Smith, Senior Consultant: Social Development Direct
- Gail Campbell, CEO: Zenex Foundation
- Lynne Fišer, Charitable Trust Consultant: Nedbank Private Wealth
- Neville Gabriel, Founding Executive Director: Southern African Trust
- Shelagh Gastrow, Executive Director: Inyathelo – The South African Institute for Advancement
- Teboho Mahuma, Independent Consultant: Private and non-profit sectors

The interviews were held between April and June 2013. They were most often conducted face-to-face, with a few being conducted telephonically. Nedbank Private Wealth again commissioned Trialogue to conduct the research on its behalf. TMS Research assisted with the field management, data-capturing and market-sizing exercise.

This report contains the summary results of the 2012 survey as well as opinion pieces that provide additional insight on some of the topics.

THE ACKERMANS' LEGACY OF GIVING

Raymond Ackerman

Suzanne Ackerman

RAYMOND: I always wanted to do something worthwhile with my life. That is why the mantra 'Doing good is good business' resonated so much for me. My father – one of the founders of the Red Cross Children's Hospital and Chairman of the Prisoner Of War Trust Fund – was a generous man. But he saw his social duty as separate from business. I wanted this sense of 'doing good' to permeate my business philosophy, which is why social responsibility became a core part of it.

From the first day of trading, we structured the company in such a way that a minimum five percent of net profit was automatically invested in a trust devoted to social upliftment projects. I didn't do this for altruistic reasons alone, but because I believe that consumers will reward the businessman who shows a commitment to their community. This is the simple model I built Pick n Pay on, and I hoped to instil this sense of social responsibility in my children, and later my grandchildren, by encouraging them to participate in what we now call the Ackerman Family Philanthropy Council. As soon as any of the grandchildren turns 16, he or she is eligible to join. This provides them with the opportunity to get involved in social issues from a young age, as each family unit decides how their part of the trust is spent.

When my children were growing up they always urged me to do more. They were right. It's their turn now.

SUZANNE: We were lucky to grow up in an atmosphere of giving; to never take our privileges for granted. My parents made us very aware of the inequalities of the day, but it was as a student at UCT, working with the Shawco medics in the townships during the 1980s, that I realised I could not live with it. It was wrenching to leave, and I was immeasurably grateful when I was able to return in 1995 and play my part.

I think it is very easy for the privileged to experience philanthropy as a simple assuaging of guilt. But throwing money at objects of pity and hoping this will make it all go away is a hollow experience, and makes no long-term difference. The issues are complex and require more than money. What is needed is for South Africans to share expertise and donate time in order to nurture and develop talent.

I am very fortunate to be in a position to use my interest in the entrepreneurial process to help fledgling businesses gain access to the market, and provide mentorship at the same time. The Ackerman Foundation has spent over R65 million on projects that have directly resulted in new jobs, developed new skills and created brand new enterprises. In the past year alone, we spent R9.4 million on young entrepreneurs and emerging farmers.

This kind of philanthropy – with your eyes wide open, looking deeply at what is required to make a lasting difference and sharing your skills – enriches you as a human being. It's how we set each other free.

Are we passing this philanthropic urge onto the next generation? That's a difficult question. We try to instil the same values in our children but how do you force a child to be generous? You can't. So we expose them as much as possible to people who are less privileged, and applaud them when they give. My eldest daughter, a filmmaker, recently donated her time to make a wonderful video about the Smile Foundation's reconstructive surgery work at the Red Cross Children's Hospital, and it made me inordinately proud.

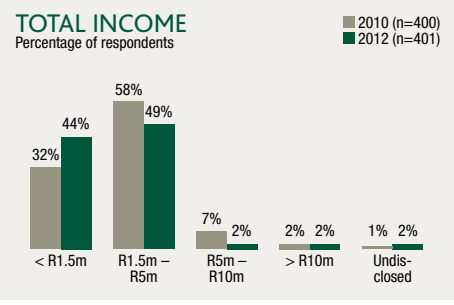
Like kindness, compassion and generosity cannot be taught. You need to lead by example; to actively show the next generation what philanthropy is, and how much joy giving brings – not just to the recipient, but to the person who gives. As my mother said when we received the Inyathelo Award for family philanthropy in 2007: 'Everybody can be a philanthropist. It's just a fancy word for helping your neighbour. The more you give, the more you get back'.

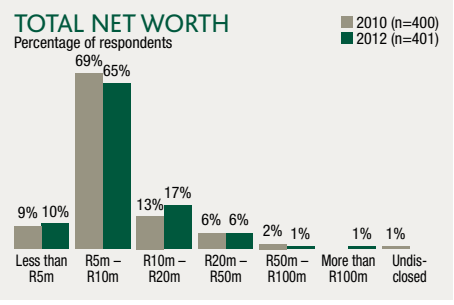
Raymond Ackerman was rated by the Financial Times among the World's Top 100 Most Respected Businessmen and was also the first South African to receive the international Woodrow Wilson Award for Corporate Citizenship. Aside from the countless projects supported by the Pick n Pay/Ackerman Foundation, the Ackerman Family Trust has supported 600 university graduates. In his own capacity, he has established the Zama Dance School, two Raymond Ackerman Academies of Entrepreneurial Development and the Raymond Ackerman Golf Academy.

Suzanne Ackerman and her sister Kathy, her mother Wendy and her father Raymond were recipients of the Inyathelo Family Philanthropy Award in 2007. Suzanne is also a Melvin Jones Fellow, an Honorary Guardian of the Red Cross Children's Hospital, and a Trustee of the Smile Foundation.

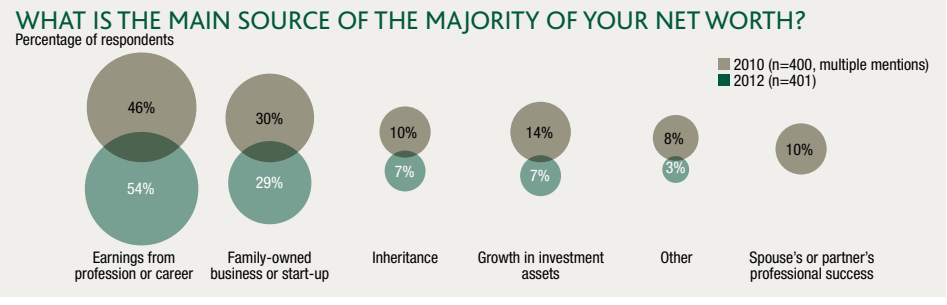
PROFILE OF SURVEY SAMPLE

The majority of respondents had a net worth of between R5 and R10 million in 2012. The greatest proportion of respondents earned between R1,5 and R5 million per annum.

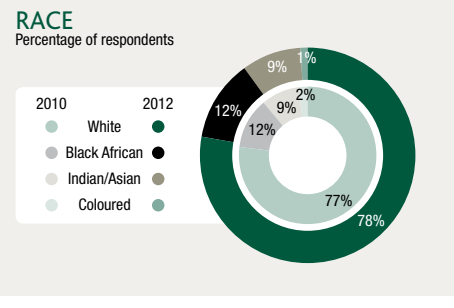


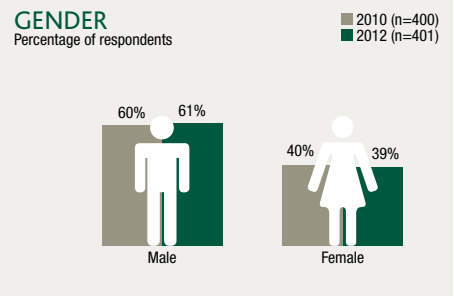


Professional success accounted for the majority of respondents' net worth, in an even greater proportion than in 2010. Family-owned or start-up companies remained the second most common source of net worth.



There was little change in the gender or racial profile of survey participants in 2012.





Two-thirds of the respondents were between 40 and 60 years of age, in line with the previous survey. As in 2010, just over 20% of respondents were younger than 40, and just under 20% were older than 60.

Over two-thirds of survey participants reside in Gauteng, with 53% in the Johannesburg area alone. Equal proportions (16%) live in the Western Cape and KwaZulu-Natal.

GIVING BEHAVIOUR

Ninety one percent of respondents gave money, goods or time to social causes in 2012, slightly down from 2010 (94%).

Those with a higher net worth tended to give more. In 2012, a total of 41% of the group that gave more than R50 000 (in cash or non-cash donations) had a net worth of more than R10 million, up from 35% in 2010. As in 2010, those whose source of wealth is investment success tended to give more.

NON-GIVERS

The most common reason for not giving was again a negative previous experience. An increasing proportion of non-givers cited ideological grounds as the reason for not giving.

Of the respondents who did not give in 2012, nearly one-third had never given before and do not plan to in the future. Just over a quarter have never given but plan to do so in the future.

AMOUNT GIVEN

Altogether 91% of HNW South Africans donated money, goods or time in 2012. Most gave between R1 and R25 000.

Giving was measured in terms of:

- Cash donations
- Non-cash donations (goods, products or services)
- Volunteering

CASH DONATIONS

As in 2010, cash donations were typically less than R25 000, and the proportion of people giving smaller cash donations has increased, with 68% giving less than R25 000 compared to 55% in 2010.

WHAT IS THE APPROXIMATE RAND VALUE OF YOUR CASH GIVING DURING THE YEAR?

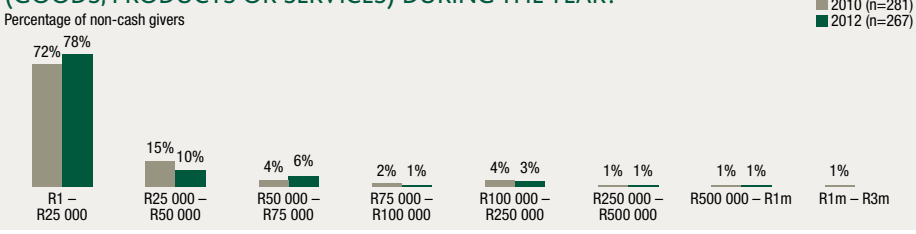
Percentage of cash givers

NON-CASH DONATIONS

Two-thirds of respondents gave goods, products or services in 2012. Non-cash giving tends to be smaller than cash giving, with 78% of non-cash givers donating items with a total value less than R25 000. The value of non-cash items given has also declined slightly since 2010.

WHAT WAS THE APPROXIMATE RAND VALUE OF YOUR NON-CASH GIVING (GOODS, PRODUCTS OR SERVICES) DURING THE YEAR?

Percentage of non-cash givers



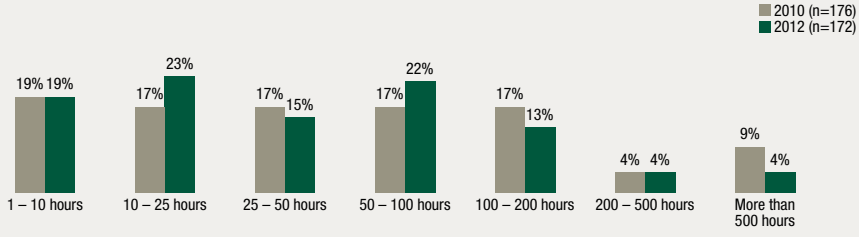
The most common form of giving other than cash was the volunteering of time to NPOs (43% of non-cash givers), followed by donations of essential items to individuals and donations of essential items to an NPO.

VOLUNTEERING

Almost half of the givers (47%) volunteered in 2012. Most (57%) gave less than 50 hours of their time during the year.

APPROXIMATELY HOW MANY HOURS DID YOU VOLUNTEER DURING THE YEAR?

Percentage of volunteers



MARKET SIZING

Based on the giving characteristics of the survey sample, it can be estimated that South African HNW individuals donated roughly R8 billion in cash, R5,1 billion in goods and services, and 7,9 million hours of their time in 2012.

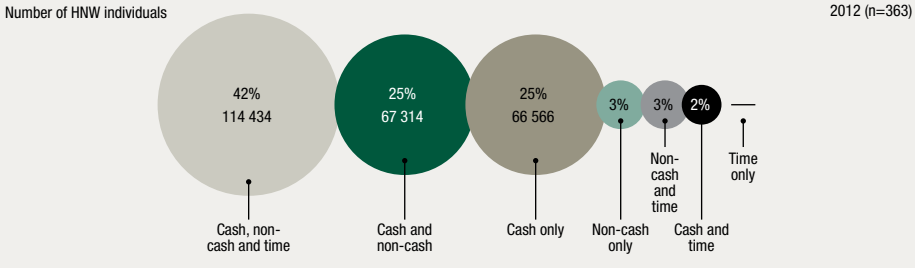
South African HNW individuals donated roughly R8 billion in cash in 2012.

It is estimated that the size of the South African HNW market is approximately 300 000 individuals.[1] As the sample used for this survey was random, it can be taken as representative of this population. Applying the proportion of givers in the sample (91%) to the estimated population of HNW individuals shows that approximately 272 000 HNW individuals in the country made cash or non-cash donations or volunteered in 2012.[2]

FORMS OF GIVING

Percentage of givers

Number of HNW individuals



[1] TMS Research

[2] These findings assume that the market follows a normal distribution within donation brackets with the mean at the bracket midpoint, and that the sample is representative of the market in terms of the distribution across giving brackets. It bears noting that the definition of giving was broad and included giving to religious institutions and extended family.

AFRICA'S PHILANTHROPY STORY

Neville Gabriel

Africa's people share deep-rooted values of social solidarity, human dignity, and inter-personal connectedness. This corresponds to the Western notion of philanthropy – the desire to promote the wellbeing of others or, put simply, to love people.

But in the past, as Africans, we have had philanthropy done 'to us' with little recognition that there is a vast field of philanthropic practice alive and active in Africa.

The field is growing. And it is changing, with the rapid emergence of structured forms of strategic giving by wealthy Africans, the success of channels for collective giving to social causes among increasingly urbanised communities, a growing recognition of community-based practices of social solidarity, and the emergence of African associations of philanthropists, grantmakers, and other social investors.

The ongoing economic strain in the parts of the world that were traditionally seen as the sources of big philanthropic giving coincides with good levels of sustained economic growth in Africa. Along with the extreme inequalities and exclusions that this has generated, it has also propelled the emergence of an African middle class and a growing pool of super-rich African men and women, many of whom are attentive to their social responsibilities and want to 'give back' to their own communities.

Massive attention is being given to the growth of African philanthropy. The World Bank has a keen interest in cooperating with African philanthropic groups, as does the United Nations system through the likes of the United Nations Development Programme (UNDP) and the Office for the Coordination of Humanitarian Affairs (OCHA), which now have dedicated regional-level initiatives to strengthen links with African philanthropists. There is also rapidly growing public interest in the field of philanthropy as seen in increasing worldwide media attention.

But it is time for Africa to tell its own philanthropic story and to construct its own narrative about contemporary forms of social solidarity, care for others, and giving. To do this, we must generate new knowledge about the extent and nature of the field. At the same time, we must actively work to build the field by constructing the organisational and institutional architecture for philanthropy to flourish in its old and new forms across Africa.

Real progress on that front will signal a very important shift in Africa's collective consciousness. It will mark a turn towards a new social consciousness where we take collective responsibility for our own advancement and for supporting efforts to clear the social, economic, and political obstacles that hold us back.

There has already been some progress. The African Grantmakers Network, a continent-wide association that brings together different types of philanthropic organisations, including foundations established by high-net-worth individuals (HNWIs), community-based philanthropic agencies, charitable trusts, and others, was established in 2009. More recently, the launch of an African Philanthropy Forum that brings together HNWIs was announced.

At subregional level, groups like the East African Association of Grantmakers (EAAG) and the Southern Africa Community Grantmakers Leadership Forum have emerged with vibrant and growing membership. At national level, many different forms of collaboration and coordination of philanthropy are emerging. In Liberia, there is a Philanthropy Office in the Office of the President of the country. Nigeria's finance minister convened a high-level Nigeria Philanthropy Summit with leading Nigerian philanthropists earlier this year and South Africa's Private Philanthropy Circle is now well established and engaging with government.

The inaugural African Philanthropy Award was given to Egypt's Marwa El Daly of the Maadi Community Foundation in 2012. The dynamic young philanthropist won the award for excellence in channelling culturally traditional philanthropic practices into broad-based community development.

AFRICA'S PHILANTHROPY STORY (continued)

There is increased data, mass media coverage, literature, and analysis being generated that points to the need for African philanthropy to be more strategic in how it supports African progress, and especially to collaborate with established development agencies that have a wealth of knowledge, networks, and expertise in the field.

But there is still much work to be done. A recent report by the African Grantmakers Network, *Sizing the Field: Frameworks for a New Narrative of African Philanthropy*, estimates that African HNWIs are giving US$7 billion a year. An additional US$2.6 billion a year could be available in pooled philanthropic giving by the emerging middle class in Africa. However, the report showed that only US$1 billion of the US$7 billion in estimated giving by HNWIs can be traced and that, of the Forbes list of 40 richest Africans, only 22 had identifiable philanthropic initiatives linked directly to them or their families.

To understand our own story and tell it better we need to generate more data and intensify our work to develop the field.

Neville Gabriel is the executive director of the Southern Africa Trust. He is also the chairperson of the board of the Open Society Initiative for Southern Africa, a member of the Africa Policy Advisory Board of Bono's ONE campaign, a member of the board of the Goedgedacht Forum for Social Reflection, and a senior fellow of the Synergos Institute.

APPROACH TO GIVING

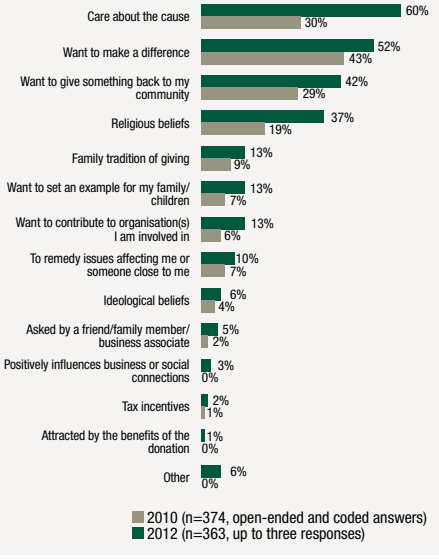
MOTIVATED BY CARING

Most respondents cited 'caring about the cause' and 'wanting to make a difference' as their greatest motivations for giving. Other common reasons were the desire to give back to the community and religious beliefs. These were the top four motivating factors for giving in both 2010 and 2012.

Religious beliefs motivated 37% of respondents in 2012. This was a substantial increase from 19% in 2010. These givers again showed an inclination to give at slightly higher levels than the general giving population. Fourteen givers (4%) gave exclusively to religious institutions in 2012, compared to 2% in 2010.

MOTIVATION TO GIVE

Percentage of givers



More than half of HNW givers do not have a giving strategy or budget.

GIVING STRATEGIES AND BUDGETS

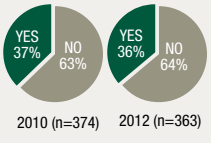
In 2012 it was again apparent that most HNW givers do not have a strategy or budget for their giving.

INTERNATIONAL COMPARISON

This stands in contrast to the 71% of HNW donors in the United States who had a giving strategy and the 61% who made use of a budget in 2011.[3]

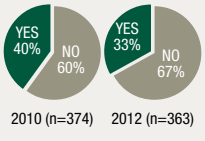
DO YOU HAVE A STRATEGY FOR YOUR GIVING?

Percentage of givers



DO YOU HAVE A BUDGET FOR YOUR GIVING?

Percentage of givers



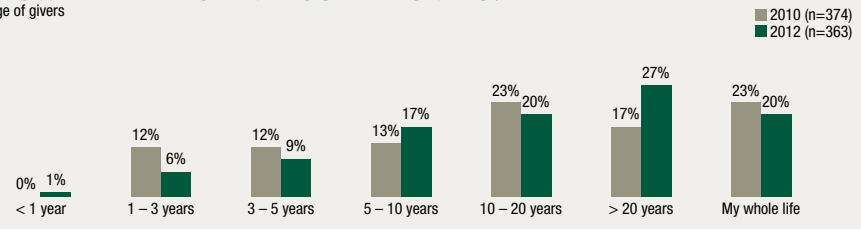
As in 2010, larger donors are more likely to plan their giving. Over half of those that gave more than R50 000 in 2012 make use of a budget (54%) or strategy (57%).

LONG-TERM GIVING

Again it was evident that giving is a long-term commitment for most respondents. Almost half of the givers have been giving for more than ten years, and a further 20% have been giving for their entire lives. While this was apparent in 2010, the weighting has shifted slightly towards even longer-term periods of giving.

FOR HOW MANY YEARS HAVE YOU BEEN GIVING?

Percentage of givers



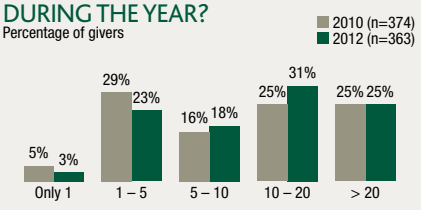
[3] *The 2012 Bank of America Study of High Net Worth Philanthropy: Issues driving charitable activities among wealthy households*; November 2012

NUMEROUS DONATIONS

Givers gave slightly more frequently in 2012 with over half (56%) giving in excess of ten donations during the year (2010: 50%). In 2012 altogether 9% of givers made over 50 contributions, or roughly one per week. Those who give more in value tend to give more frequently.

HOW MANY DONATIONS/ CONTRIBUTIONS DID YOU MAKE DURING THE YEAR?

Percentage of givers

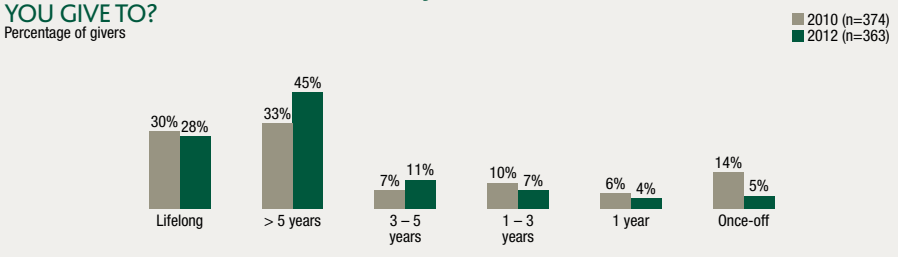


MULTI-YEAR SUPPORT

Beneficiary support is generally long term, with 28% of givers supporting the same beneficiaries for life. Those giving once-off support declined significantly from 14% in 2010 to 5% in 2012.

HOW LONG DO YOU SUPPORT THE MAJORITY OF ORGANISATIONS/INDIVIDUALS YOU GIVE TO?

Percentage of givers



28% of HNW givers support the same beneficiaries their entire lives.

SELECTION OF BENEFICIARIES AND PURPOSE OF FUNDING

SOCIALLY FOCUSED GIVING

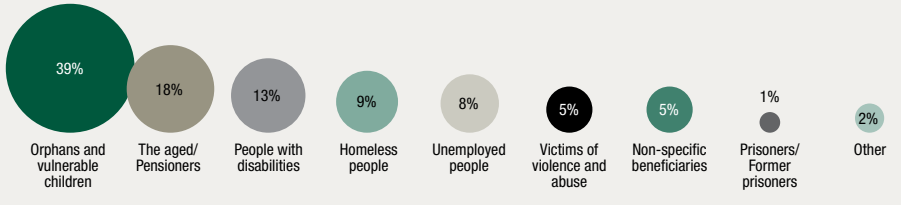
Most HNW individuals in South Africa gave to social and community development causes. This was the same as in 2010 but the sector received even further support in 2012. Over two-thirds of givers (up from 49% in 2010) supported this sector, which received 27% of the total funds given in the year.

The greatest proportion of support for this sector went to orphans and vulnerable children, with current or former prisoners receiving the lowest amount of funding.

IF YOU GAVE TO SOCIAL AND DEVELOPMENTAL CAUSES, PLEASE TELL US WHAT PERCENTAGE WENT TO EACH CAUSE?

Percentage of social and community development donors

2012 (n=272)



[4] *Money for Good UK: Understanding donor motivation and behavior; Bagwell S, de Las Casas L, van Poortvliet M, Abercrombie R*; March 2013

The second most supported sector, religious institutions or causes, also increased in popularity from 2010, with nearly half of respondents giving to the sector (2010: 39%). In 2012 the sector received 20% of total funding, 63% of which went to general expenses for religious institutions. Fourteen of the 363 givers (4%) in 2012 gave exclusively to religious institutions, up from 2% in 2010.

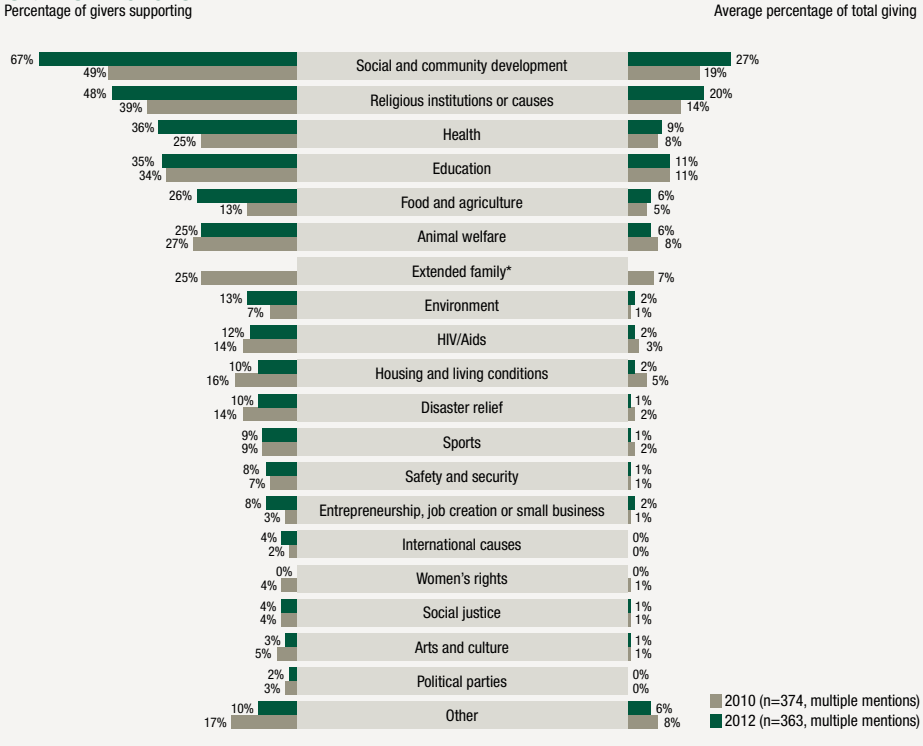
Of the 35% of HNW givers supporting educational causes, half supported primary and secondary school education, with the remainder giving to tertiary schooling, or preschooling.

CORPORATE COMPARISON

South African HNW individuals' strong support for the social and community development sector stands in contrast to the country's corporates, who view education as the top social investment priority.[5] In 2012 education received more than 40% of total corporate funding, while the sector accounts for only 11% of total private HNW giving.

Social and community development causes receive the most support. Orphans and vulnerable children are the most popular cause in this category.

GIVING BY SECTOR



* Extended family was not included as a sector in 2012. It was included as a type of recipient (page 15).

INTERNATIONAL COMPARISON

South African HNW givers showed the strongest interest in supporting social and community development causes in 2012. While these issues were also important to high-income givers in the UK, the most commonly supported cause among this group was medical research, which was funded by an estimated 59% of these givers. Hospitals and hospices were the second most frequently supported.[6]

[5] Trialogue, *CSI Handbook*, 15th edition, 2012.

[6] *Money for Good UK: Understanding donor motivation and behavior; Bagwell S, de Las Casas L, van Poortvliet M, Abercrombie R*; March 2013

CONVERSATIONS WITH DONORS


Pippa Smith


Kim Feinberg


James McGregor


Keneiloe Mohafa

Our conversation with four local donors paints a picture of how donors experience the practice of giving. We covered the rewards of giving as well as some of the challenges and lessons learnt.

James McGregor has a long history of giving and believes that donors need to be involved in the work of the organisations that they support. As a board member on many non-profit boards, his philosophy is that 'you can't ask people to give if you don't give yourself'. He therefore provides financial and non-financial contributions to all of the organisations he supports.

Similarly, Kim Feinberg has dedicated much of her time to managing the organisations she supports. For her the success stories make it worthwhile. She recounts the story of a young orphan who was supported through her studies and who is now a successful CA. It's not just about providing the opportunity believes Feinberg, 'individuals are given a chance to realise their dreams, but they need to have the inner drive and passion to really succeed'. McGregor supports a number of education initiatives and concurs that 'it is very rewarding to see young people graduating with decent degrees and to know they have a chance in life'.

The journey of a donor is not, however, without its challenges. Keneiloe Mohafa talks of her disappointment on once discovering that the managing director of an NPO was being dishonest. Pippa Smith recounts how a child whose education she was supporting at a good school was taken out of that school when relations with the parent broke down. And for Feinberg the challenges include trying to convince donors to fund projects and getting too emotionally involved in projects, especially when they do not work out.

When the question turned to what advice the group would give aspiring donors, there was no shortage of discussion. McGregor felt strongly that you cannot give without believing in what you are doing. 'There has to be some attachment to the cause you give your time and money to,' advises McGregor. 'It needs to be more than just chequebook charity. You have to really want to make a difference.' Having to say no when approached for funding is a challenge that every philanthropist faces. However, as McGregor notes, by being committed to the charities he supports he does not feel guilty about saying no to others.

They were unanimous about the fact that donors need to work with people and not assume that they know what their needs are. By actively engaging with beneficiaries and the organisations that support them, you can find out what it is they really need so that your giving has the greatest impact.

Giving works both ways. 'It's not just about what the receiver gains in the transaction,' explains Smith. 'There are huge advantages for the giver too. The warm, fuzzy feelings that come with giving are just one of the benefits. Daily interactions, such as a smile or seeing hope expressed in someone's face where there wasn't hope before, make the giving worthwhile.'

Pippa Smith practised as a legal adviser for many years. Her philanthropic work includes regularly supporting various NPOs, assisting with school fees for a number of disadvantaged children, and supporting a literacy programme.

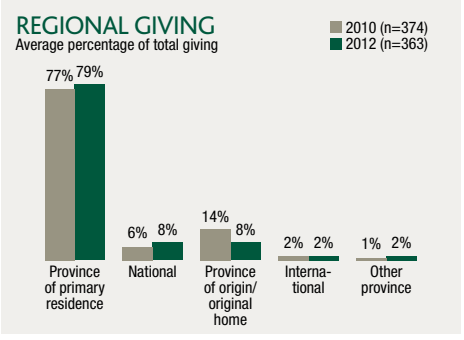
Kim Feinberg has been in the non-profit sector for 22 years and has worked with the Apartheid Museum, the Human Rights Commission for Education, and the Tolerance Foundation among others. Kim is the founder and current CEO of an NPO called the Tomorrow Trust.

James McGregor retired from BoE Private Clients after 24 years. Since then he has worked extensively with the non-profit sector, and he currently serves as chairperson of the boards of nine NPOs.

Keneiloe Mohafa previously headed up the Goldfields Foundation and served as Head of Department: Community Engagement and Development for Anglo American Platinum. She is now retired and spends much of her time on the boards of various trusts and NPOs.

LOCAL GIVING

The majority of giving occurs in the province of residence. With most respondents residing in Gauteng, it is the province receiving the highest portion of giving.

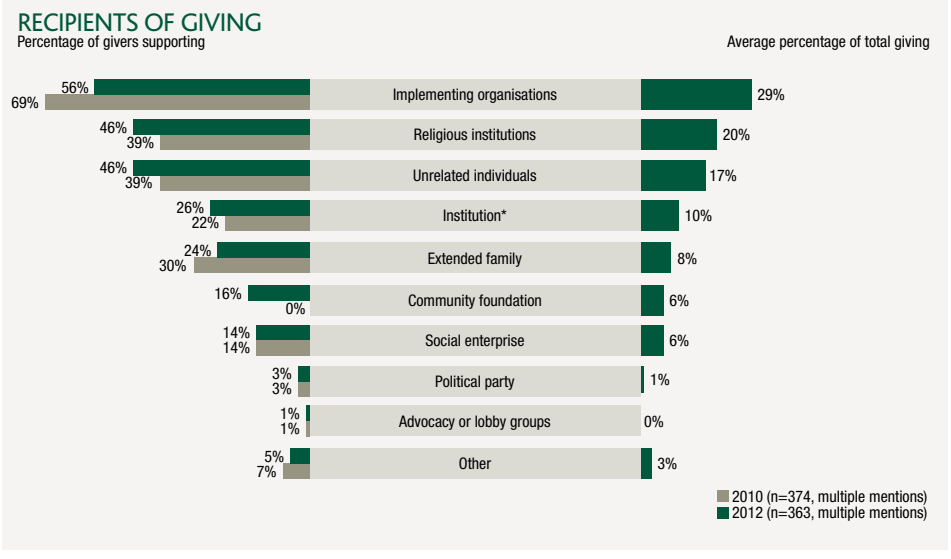


TYPE OF RECIPIENTS

Implementing organisations such as NPOs were again the primary recipients of HNW funding in 2012. These were followed by religious institutions and unrelated individuals, each with the support of 46% of givers. Collectively, these top three recipient categories account for two-thirds of all HNW giving.

Nearly a quarter of givers (24%) supported their extended families but just over three-quarters of these givers report that this giving accounts for less than 50% of their total giving. Only 1% of the givers (four respondents) gave exclusively to extended family.

NPOs are the primary recipients of HNW funding.



* Institutions were more narrowly defined in 2010 and only included educational institutions.

In 2012 a total of 79% of givers named a recipient that they would not support. Nearly two-thirds of givers said they would not support political parties, up from 60% in 2010. Most stated that their refusal was because there were more deserving causes or that they do not trust such parties to use funds to good effect.

Six percent of givers would not support advocacy or lobbying groups, down from 21% in 2010. It is likely that much of this decline is due to the fact that respondents were asked to select only one recipient type in 2012 (but multiple types in 2010) and most felt more strongly about political parties.

A RETURN ON YOUR INVESTMENT: THE CASE FOR SOCIAL JUSTICE

Audrey Elster

WHAT IS SOCIAL JUSTICE?

The concept of social justice has its roots in the nineteenth-century teachings of the Catholic Church. Theologian John Ryan developed the term to mean a 'living wage' that would give dignity to every worker. The term later came to be widely used in the civil rights movements and the women's movement helping to frame demands for equal social and political rights.

In the current South African context, the concept has at its core three key ideals: fairness, equality and dignity. Specifically, social justice supports participatory governance, transparency, equal access to justice and the realisation of socio-economic rights.

Realising fairness, equality and dignity can frequently only be achieved if there is systemic change. Ideally, this will manifest itself in a more socially cohesive society where everyone shares in a country's prosperity. So, it is neither fair nor dignified for millions of South Africans to still be without running water or proper sanitation. This is especially true in a country where we have the resources to address these issues. Working towards a fair distribution of services requires promoting major changes in the manner in which government operates as well as the empowerment of communities.

WHY IS SOCIAL JUSTICE IMPORTANT?

A socially cohesive and just society (such as the ones historically found in Scandinavian countries) is less vulnerable to social and financial upheavals. A country that treats its people with dignity and fairness, not only ensures that the conditions people live under are reasonable and decent, but also produces active and engaged citizens. These citizens are also likely to be better educated, more employable and committed to their country's growth and development in the long term.

The building blocks for a just society are not only a fair distribution of resources, but also firmly established democratic processes, which in our case are expressed in our visionary Constitution. In a young democracy, efforts to hold government to account and to preserve and implement constitutional ideals are normal and healthy because they build an open and robust society. One of the unintended consequences of the country's liberation is that people have become passive participants in our democracy. Being a citizen requires not just voting in elections, but also investing resources in the everyday processes that build a strong democracy and give meaning to the Constitution.

WHAT ARE THE RETURNS ON INVESTING IN SOCIAL JUSTICE?

Many social justice organisations have, for years, strived to create the social and economic conditions envisaged by the Constitution. They have successfully supported community struggles for decent norms and standards in schools, for functional hospitals, for lighting in townships, for the right to be treated with dignity, or for women to be protected from domestic violence.

An investment in social justice is an investment in building a fair and just society where citizens have a voice and are actively involved and where government is accountable and more responsive. These results will not be immediately visible but will show themselves over time.

We are duty-bound to make this investment if we are to realise the promise of our Constitution. Ordinary citizens who remain affected by unfairness feel engaged when they experience incremental improvements in their day-to-day lives and enjoy the benefits that arise from the gradual realisation of their rights.

THE STATE OF FUNDING TO SOCIAL JUSTICE

While all sectors of South African society give generously to charitable and development causes, this giving does not by itself address the underlying systemic causes of the problems, which is what social justice organisations seek to do.

A RETURN ON YOUR INVESTMENT: THE CASE FOR SOCIAL JUSTICE (continued)

Historically, and especially under apartheid, social justice work was funded by foreign donors. With South Africa's emergence as a middle-income country and shifts in global development priorities, such support has been dwindling over the past ten years. The loss of support has shown itself in the growing number of service delivery protests as citizens find fewer vehicles through which to articulate their dissatisfaction and they experience the continued failure to realise their rights.

Today we find ourselves in a position where apart from a few small private international and local foundations, there is no significant investment being made in building social justice. At a time when independent voices and new governance models are most needed, support for social justice organisations has dwindled.

WHAT CAN YOU DO?

Clearly there is a need for South Africans to take on the responsibility for building a healthy democracy and a fair society. This means not just voting every five years, but engaging regularly and on a sustained basis with the unfairness and stark inequality that exist in our country. Contributing to social justice causes can achieve this.

There are many effective and creative projects to support and there are also innovative mechanisms through which to support them. One such mechanism is the recently created Social Justice Initiative, which mobilises resources for social justice projects across South Africa. However, the important thing is to contribute, either time in your local community or as a donor to a project.

South Africa will thrive when those who live here step up to the challenge of ensuring everyone lives with dignity and help to overcome our overwhelming inequality and its inherent unfairness.

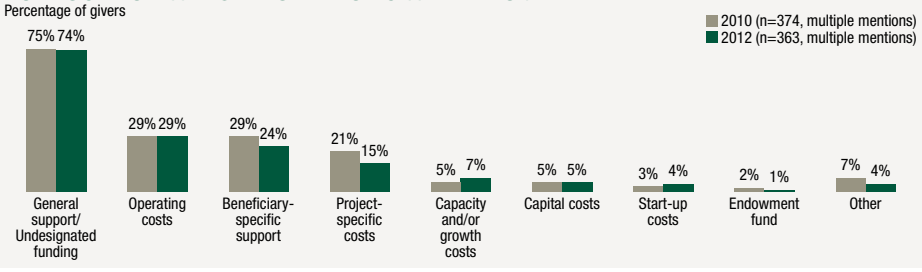
Audrey Elster has over 20 years senior management experience in the NPO sector in South Africa, both as a funder and a grantee. She is the director of the RAITH Foundation, which is a private South African foundation working to promote social justice. Along with other philanthropists, RAITH has established the Social Justice Initiative, which aims to build philanthropy for social justice in South Africa.

UNRESTRICTED FUNDING

As in 2010, nearly three-quarters of respondents provided beneficiaries with funds without restrictions on how the funds are to be used.

PURPOSE FOR WHICH DONATIONS WERE PROVIDED

Percentage of givers

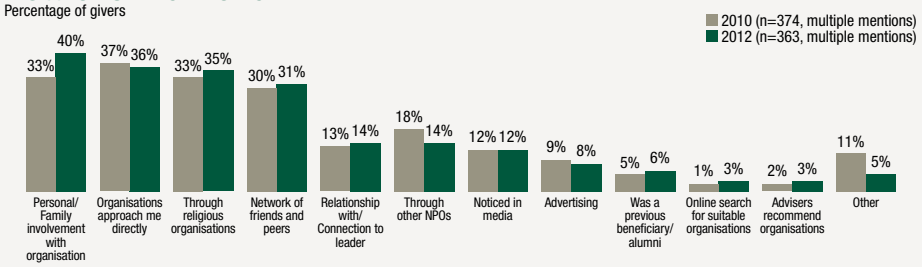


HOW ORGANISATIONS ARE IDENTIFIED

Personal or family involvement with an organisation was the most common method of identifying whom to support in 2012, with 40% of givers identifying organisations in this manner. This is a change from 2010, when direct approach by beneficiary organisations was the most common method (37%).

HOW ORGANISATIONS ARE IDENTIFIED

Percentage of givers

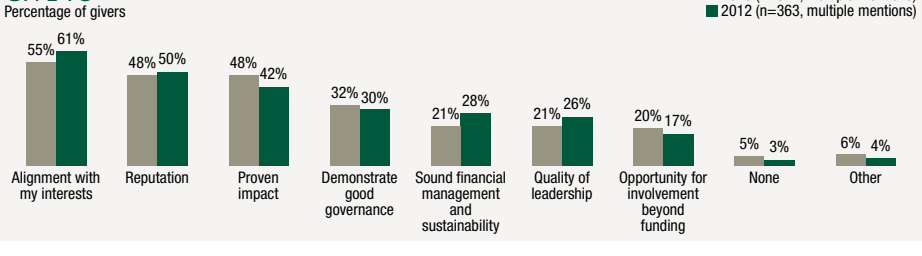


QUALIFYING CRITERIA

Alignment with the giver's interests remains the most important qualifying criterion when the giver decides to support an organisation. Half of the givers also cited the reputation of the organisation as an important issue to consider. Givers showed increasing interest in the financial management and leadership quality of beneficiary organisations when compared to 2010.

TOP THREE QUALIFYING CRITERIA WHEN CHOOSING AN ORGANISATION TO GIVE TO

Percentage of givers



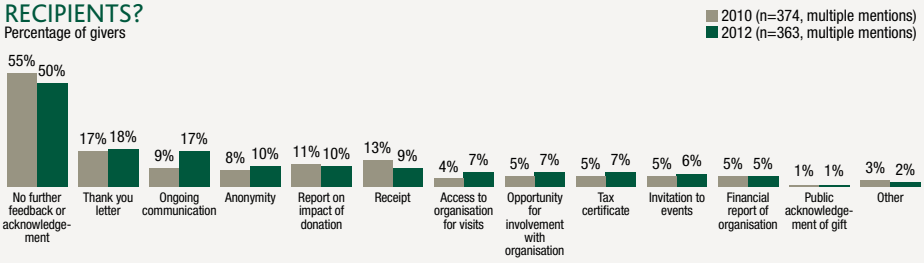
POST-DONATION BEHAVIOUR

LIMITED EXPECTATIONS

Half of the givers surveyed do not expect any feedback or acknowledgement from beneficiaries after their donation. Forms of expected acknowledgement include thank you letters and ongoing communication.

ONCE THE DONATION HAS BEEN MADE, WHAT DO YOU EXPECT FROM THE RECIPIENTS?

Percentage of givers



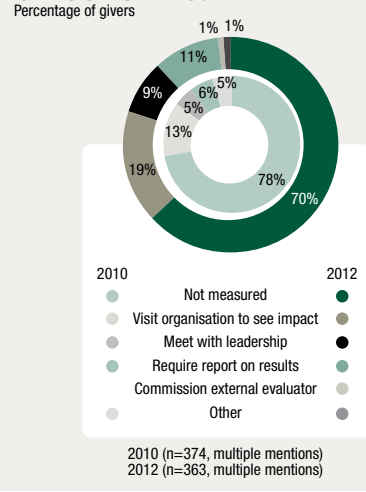
MEASURING SUCCESS

The proportion of givers conducting site visits and requiring reports on results increased in 2012. Although HNW donors are showing more interest in the outcomes of their donations, 70% still do not measure the success of their giving (2010: 78%).

There remains a contradiction between the 42% of givers who claim that 'proven impact' is an important criterion for choosing beneficiary organisations, and the significantly fewer respondents who actually measure the results of their donations.

HOW DO YOU MEASURE THE SUCCESS OF YOUR GIVING?

Percentage of givers



2010 (n=374, multiple mentions)
2012 (n=363, multiple mentions)

A total of 70% of HNW givers do not measure the success of their giving.

STRUCTURES FOR GIVING

LIMITED USE OF FORMAL GIVING STRUCTURES

Only 16 respondents (4% of the givers) use a trust or foundation for their giving (2010: 5%). Those making use of these structures are more likely to be over 70 years old and to give more.

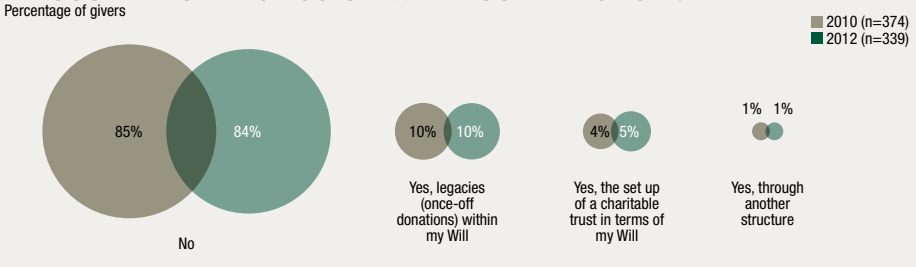
Most trusts or foundations were set up by the HNW individuals themselves, and family members remain the most popular appointees as trustees or directors.

Most of those with charitable trusts intend the trust to endure into perpetuity, with a smaller proportion expecting the funds to be distributed during their lifetime. Fewer of these givers preferred the spend-down option during their lifetime than in 2010.

PROVISION FOR GIVING AFTER DEATH

As in 2010, over 80% of givers have not made provision for giving after their death. While 15% of givers plan to give through their Will, a larger proportion of those with trusts plan to do so.

HAVE YOU MADE ANY PROVISION FOR GIVING TO SOCIAL CAUSES IN YOUR WILL OR THROUGH ANY OTHER STRUCTURE WHEN YOU ARE DECEASED?



FUTURE GIVING

INSPIRATION TO GIVE MORE

Most givers (85%) were satisfied with the amount they contributed in 2012. Respondents were asked an open-ended question on what would inspire them to give more in the future, and issues such as affordability, transparency and tax benefits were mentioned:

'If I could afford to give more I would definitely do so.'

'If I could see the difference my contribution has made.'

'Having more funds available and if all giving is tax-deductible.'

IMPLICATIONS OF THE TAX REGIME ON GIVING

In 2012 a total of 29% of donors (104) said they would give more if there were more tax perks for giving. This is almost double the 15% of respondents in 2010 who said that changes to the tax regime would influence their giving behaviour.

Of the 104 who said better tax incentives would motivate more giving, only four (4%) said their current giving was motivated by tax breaks and only ten (10%) expect tax certificates from the organisations they support.

THE TAX BENEFITS OF GIVING

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While it is very rare to come across a private donor who is motivated to give solely by the tax benefits of doing so, not all donors appear to be taking advantage of these. In our busy lives, claiming tax benefits may seem too complex or too much of a hassle but it is indeed likely that, if you knew how much you could save, you might give even more.

Tax can often boggle the mind and the purpose of this piece is to set out in what is hopefully an accessible format, the various tax advantages of giving for private individuals.

DONATIONS TAX

First, generally speaking, individuals can make up to R100 000 in donations each tax year without paying donations tax. Any donations exceeding this will attract donations tax at 20% of the value of those donations. There are exceptions to this and one of those is when an individual donates to a charitable type of organisation that has been specially approved by SARS as what is known as a Public Benefit Organisation (PBO).

EXAMPLE

If you donate R1 million to an organisation without this approval you could be liable for up to R180 000 in donations tax as only the first R100 000 is tax free. If you donate the same amount to a PBO there would be no donations tax payable.

SECTION 18A DEDUCTION

Over and above this, if the organisation that you are donating to has what is known as Section 18A approval then the donation you are making could be tax-deductible to a limited extent, meaning that the donation could even reduce your annual tax liability.

Most organisations enjoy this approval these days and can therefore pass on the benefits to their donors. Organisations that don't qualify are likely to be those that carry on religious activities or those involved in sport, arts or culture.

Although the Section 18A deduction available to donors is limited to 10% of the value of their taxable income in the relevant year, at the time of going to print there were changes proposed to allow donors to roll over the value of their donations exceeding this to subsequent years. In essence, you will be able to claim more of a deduction in respect of donations that exceed the limit, albeit over a longer time period.

EXAMPLE

Your annual taxable income is R3 million and you make donations of up to R50 000 in the same tax year to organisations that have Section 18A approval. Your taxable income would be reduced to R2 950 000 as a start and you would have your other tax deductions available to you over and above this. Currently your Section 18A deduction would be limited to a maximum of R300 000 in this example and so if you had donated R350 000, you would not be able to claim the full amount as a deduction. If the proposed changes are implemented, you would be able to carry over the excess R50 000 deduction to be used at a later stage.

Steps to take:

1 Check the approvals and registrations of the organisations that you are donating to and ask for their PBO numbers and confirmation of their Section 18A approval if applicable.

2 Record these donations in your tax return.

THE TAX BENEFITS OF GIVING

(continued)

ESTATE DUTY

While it appears that very few donors make provision for giving in terms of their Wills, this form of giving can provide significant relief from estate duty. The value of any bequest or legacy to an approved PBO will be deducted when the dutiable value of an individual's estate is calculated after death.

EXAMPLE

If you bequeath R250 000 to an approved PBO, the value of your estate on which estate duty would be payable (at 20%) would be reduced by this amount.

Steps to take:

1 Check the PBO status and PBO registration number of the organisation that you are looking to benefit.

2 Ensure that the advisers drafting your Will properly describe the organisation and, ideally, they should record its PBO registration number.

SETTING UP A CHARITABLE TRUST

For the longer-term donor who would like to set up a charitable trust during his or her lifetime, not only would there be a number of the already mentioned tax benefits available as a result, but there should also be no tax payable within the trust, meaning that income and gains generated can be used for further giving.

EXAMPLE

You decide to set up a charitable trust as you would like to be involved during your lifetime and you would like to involve your children so that they can take over the running of the trust after your death.

You set up the trust with an initial donation of R2 million and aim to add further amounts over time.

The R2 million donation would be free of donations tax and would qualify for a limited tax deduction (if Section 18A approval is indeed obtained). Further amounts donated should enjoy the same benefits. Once the funds are in the trust and invested, any income earned or capital gains made should be tax-free.

Step to take:

Ensure that the trust is properly structured so that it qualifies for and receives PBO status and possibly Section 18A approval.

These benefits are there for use by all donors and are intended to motivate people to give. They are quite straightforward and certainly worth claiming, especially if it means being able to give even more.

By The Philanthropy Office at Nedbank Private Wealth

** This article gives a summary of the tax benefits of giving in very general terms; there are exceptions that apply. You should take specific advice before acting on this information to confirm its application in your particular circumstances.*

CONCLUSIONS

The findings of this study echo those of the first Giving Report in many ways, further confirming South African HNW donors' commitment to addressing social issues through their giving. While the proportion of respondents who donate to charitable causes has dropped slightly, nine out of 10 HNW individuals are still involved in some form of giving.

The amount given in 2012 also dropped slightly compared to 2010. However the total estimated amount given by HNW donors remains very significant.

Most donors have given for over 10 years and continue to be loyal to their causes, supporting their beneficiaries for long periods of time.

The emotional factors of 'caring about a cause' and 'wanting to make a difference' continue to draw HNW donors to the organisations they support and, unsurprisingly, the most supported sector again was social and community development.

Religion continued to feature as a major factor influencing – and benefiting from – HNW giving. Religious institutions or causes were again the second most supported sector.

The survey shows that the inclination to give is less a factor of demographics than of an individual's access to resources. Net worth is the best indicator of both giving status (giving versus not giving) and of the amount given.

There continues to be little strategic planning or budgeting when it comes to giving and HNW donors are also still not overly concerned with assessing the results or impact of their own donations.

We hope that these findings will generate much discussion and interest, perhaps motivating others to give or to give more, and that beneficiary organisations will once again find the information useful when dealing with their HNW donors.

THE PHILANTHROPY OFFICE AT NEDBANK PRIVATE WEALTH

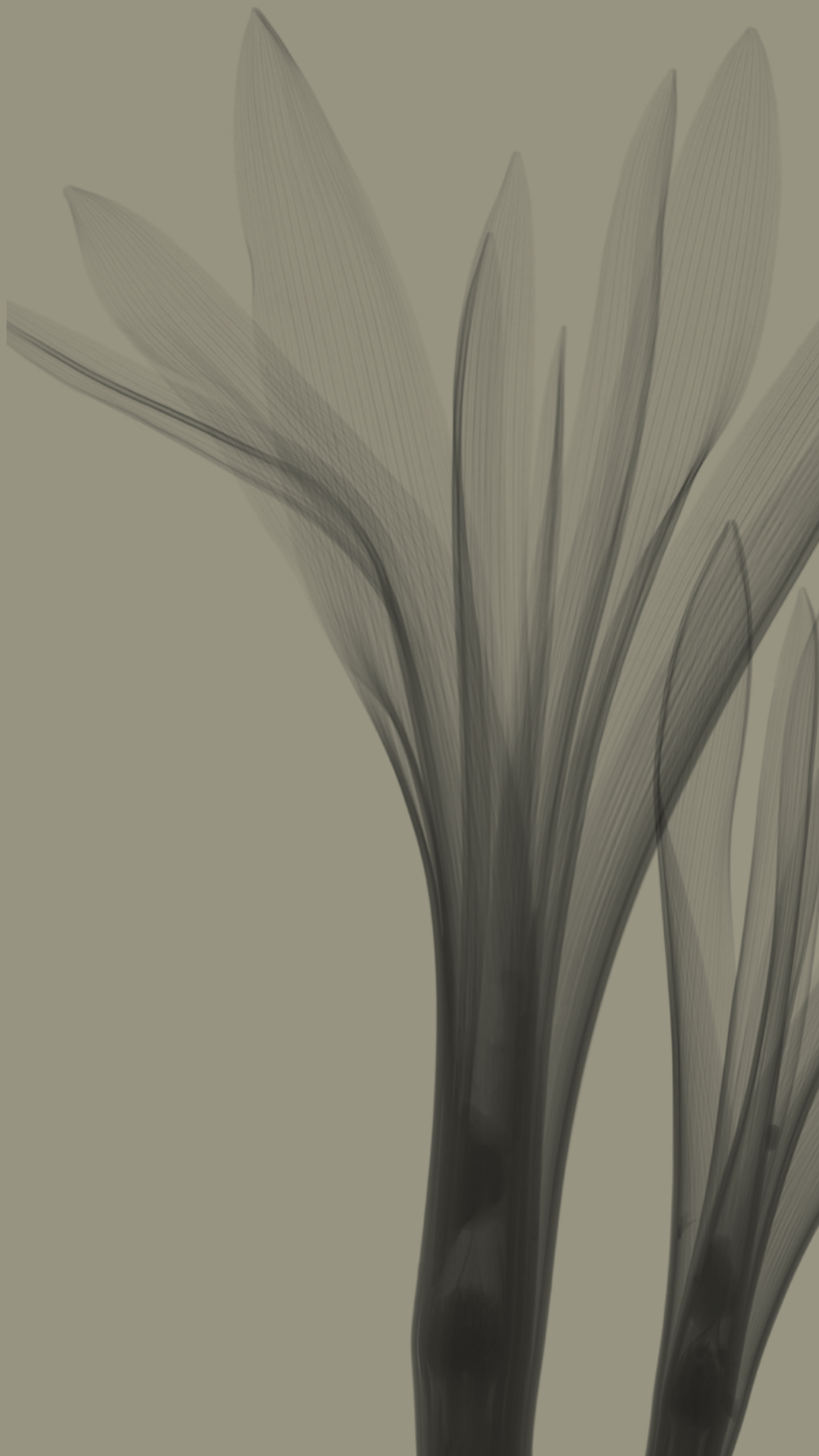
Over ten years ago we channelled more than 150 years of expertise and knowledge into a dedicated philanthropy services division, which aimed to service our donor and non-profit clients in a way that we believed would best serve the sector.

Ten years later we continue this work with the same passion, providing the services necessary to enable our donor clients to make the most of their giving through effective foundations and the latest best-practice advice.

Our passion extends to our work with NPOs. Acknowledging their incredible contribution to our country, we work towards their long-term financial sustainability, helping to ensure that they are able to continue operating in difficult funding environments. We do this by providing investment solutions and advice relevant and appropriate to their needs, which we have quite uniquely come to understand through our many years of investing NPO funds.

We invest over R6 billion for donors and NPOs and value the trust they place in us.

Donors and the organisations they support have a common goal and are working towards making a difference in many different ways. Through our work we seek to create a bridge between these donors and organisations. We appreciate the challenges faced on each side and seek to highlight these to enable better understanding and closer relationships. The Giving Report series is one of our ways of doing this and we trust that this report will stimulate further debate and discourse.



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