

# ESTABLISHING A PERSONALISED INDIVIDUAL ACCOUNT

WITH THE  
HARPER BERNAYS  
PUBLIC CHARITABLE TRUST



*You have not lived today  
until you have done something  
for someone who can never repay you.*

*- John Bunyan*



*Remember, if you ever need a helping hand,  
you'll find one at the end of your arm.*

*- Sam Levenson*

# SOME COMMON MYTHS ABOUT ESTABLISHING A CHARITABLE VEHICLE

## **MYTH #1**

YOU NEED A LARGE INITIAL CONTRIBUTION BEFORE YOU CAN THINK ABOUT ESTABLISHING A CHARITABLE FOUNDATION

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**NOT SO – If you use an established Public Charitable Trust (PuAF) such as the Harper Bernays Charitable Trust (HBCT)**

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There is a low initial threshold to establish an Account.

The minimum initial donation to establish an account is as little as \$50,000 or \$100,000 depending upon Account Selection.

Subsequent donations to build the Account can be of any size, from any source.

Operating on the small acorn/large Oak tree principle, substantial Family Charitable Bequest or Endowment Accounts we manage have been established with very modest initial donations, supplemented over time by both organic capital growth and additional regular donations from family members, friends or other parties wishing to contribute to the Account.

You and your family can make a difference in your lifetime, and afterwards, with a plan and starting from modest beginnings.

## EYE OPENERS - “Opening Eyes in Indian Villages”



*A young boy about to enter surgery.*



*Dr Kumar performing eye surgery.*



*A patient recovering after having surgery.*

**The family of a prominent Australian Ophthalmic Surgeon provides substantial financial support to the Project from its own Charitable Bequest managed under the HBCT structure.**

The family has supported the Eye Openers project since 2006 and in that time, the Project has treated well over 100,000 patients, many of whose lives have been changed dramatically as a result.

The Eye Openers Project aims to improve the health and livelihood of poor village people in Andhra Pradesh in India. Most of the people that it services have little or no medical care, and no eye care apart from this project.

## MYTH #2

CHARITABLE FOUNDATIONS ARE DIFFICULT  
AND EXPENSIVE TO ESTABLISH

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**Once again, NOT (necessarily) SO – but only if you are using a PuAF, such as the Harper Bernays Charitable Trust (HBCT).**

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As the HBCT already has full Australian Tax Office (ATO) and Australian Charity and Not for Profits Commission (ACNC) accreditation and approval, there is no delay in establishing your Account.

Your account can be established on the spot, just by filling in a simple application form and depositing the initial donation into the Trust. There is nothing else to do.

Private Ancillary Funds' (PAFs), as opposed to a Public Charitable Trust such as the HBCT, require multiple levels of approval (with the ACNC and the ATO) to be brought into existence. The Trust itself must be established first. Additionally, ASIC and the ACNC require that the PAF have a Corporate Trustee. It regularly takes 2 to 3 months, and depending upon circumstances, perhaps longer, to negotiate this process.

In addition to being able to establish your account instantly, there are absolutely no costs associated with setting up your HBCT Charitable Foundation Account.

Apart from the personal time expended in its establishment, there are legal and other costs associated with establishing your own PAF. These costs vary, but routinely run into many thousands of dollars.



## MITS - “Educating future leaders of remote Indigenous Communities”



Young MITS Students.



MITS Students in their classroom  
at the Richmond Football Club.



MITS Students studying.

Two family bequests managed under the HBCT structure have provided funding to MITS, where pleasingly, MITS has reported that students' literacy and numeracy skills have increased by up to four academic years, in the year spent with them.

The Melbourne Indigenous Transition School (MITS) is a bridging school for young indigenous students coming to Melbourne to commence their secondary school studies.

During their year at MITS, the students receive targeted numeracy and literacy in a warm home-style environment that is sensitive to, and understands their culture, as well as the challenges of transitioning to schooling in Melbourne.

# MYTH #3

PRIVATE CHARITABLE FOUNDATIONS CAN BE TIME CONSUMING, COMPLEX, RISKY, AND EXPENSIVE TO MANAGE AFTER THEY HAVE BEEN ESTABLISHED

**THEY CAN BE, and often much more so than anticipated at the outset – UNLESS the structure you choose makes it otherwise.**

## ADMINISTRATIVE & GOVERNANCE RESPONSIBILITIES AND DUTIES

If an individual or their family choose to set up their own private ancillary fund:

They will need to have, or set up, a suitable Corporate Trustee company.

That Trustee will need to ensure that its directors include at least one “responsible” person, who is neither related to, nor associated with the donor, is not themselves a substantial donor to the PAF, and meets definitions of a “responsible” person. A suitable “responsible” person isn’t just anybody who thinks themselves “responsible”; suitable people who meet the definition are formally and tightly defined by the ACNC.

The directors of the Trustee company will bear responsibility for maintaining the accounting records of both the Trustee and the Trust, as they will for the lodging of returns for both entities, the audit required by law for the Trust, the lodgement of all necessary returns with ASIC and the ACNC, and the dealings with the ATO on Franking Credit Refunds and GST rebates. They also bear responsibility for the day to day management of investments on the Trust’s behalf.

In a PuAF such as the HBCT, the Co-Trustees of the PuAF take all that responsibility off your shoulders. They have the corporate knowledge and professional skills and experience to discharge all these duties on behalf of donors and their families.

In short, the Co-Trustees look after all the investment, administration, accounting and public audit, taxation, regulatory and compliance issues, leaving you to focus on your giving strategies.

## OPERATING COSTS & COST EFFICIENCIES

With respect to recurring expenses, for a PAF, bookkeeping and accounting costs have to be considered. In addition to the normal preparation of accounts, the cost of the audit required by the ACNC must be taken into account, along with the management of tax issues and the lodgement of tax returns to the ATO. Annual returns need to be lodged with the ACNC.

There is also the potential cost of professional investment management or advice and possibly trustee commission. Another cost which will need to be considered is indemnity insurance for the directors of the PAF’s corporate trustee company, especially for the responsible person(s).

The real, (and often not obvious at the outset), recurring costs associated with properly managing and maintaining a PAF for optimum outcomes for your chosen charities can be considerable, and make the establishment costs pale into insignificance.

All of these real or potential costs of a stand-alone PAF, (leaving aside the time and formal responsibility that goes with proper, lawful administration of them) mean that

the capital base of a stand-alone PAF needs to be very large indeed to make the costs and the time expended on administration worth it.

Because HBCT can spread its recurring costs across a number of individual Foundations under its umbrella, the cost to any one Family Foundation is substantially reduced. This is the key to making this structure an economically sounder proposition for all but the very largest Private Family foundations.

## MS AUSTRALIA



*Provision of outdoor furniture at a residential facility in Lidcombe.*



*Dr Fiona McKay, Multiple Sclerosis Research Australia.*



*A resident at the Melbourne Care Facility with staff.*

Three separate Family Foundations managed by the HBCT, all of which fund multiple charities or projects, provide part of their annual giving to support projects associated with Multiple Sclerosis research or pastoral care for those living with MS.

MS is an incurable, chronic and often disabling disease with a higher prevalence in young adult Australians than any other neurological condition. Currently, there are 3 times the number of women with MS than men, and this is increasing.

Support for MS related activities includes:

- the provision of support for ongoing capital works and activities associated with an MS residential facility in Sydney
- funding of specific research projects chosen by a client in conjunction with Multiple Sclerosis Research Australia (MSRA)
- funding of a residential facility in Melbourne specifically for young women suffering from MS who are in need of 24/7 high maintenance care.



# KEY CHARACTERISTICS OF YOUR HBCT ACCOUNT AND DONOR SAFEGUARDS

- Each client's Bequest or Foundation is established and maintained as a discrete and separate account and reporting entity within the HBCT.
- The client's assets and investments are held separate from the manager by an arm's length professional custodian.

Monies **FROM ANY SOURCE** are fully tax deductible.  
A PuAF structure in this regard has considerable advantages over other structures.

- Tax offsets **CAN BE SPREAD OVER 5 YEARS** in any way chosen by the donor, with the donor having the capacity to vary from one year to the next the way tax deductibility is split between the various remaining years of any 5 year period.
- Simply furnishing an official HBCT tax receipt to your tax agent is all you need as proof of full deductibility. The HBCT is registered with the ATO for this purpose with its own identification number which appears on every receipt.

Reporting is detailed, personalised and transparent. Each family or individual Foundation receives a detailed Quarterly report that shows among other things, a valuation of the account, income history, a schedule of grants made on the family's instructions, performance history against appropriate market benchmarks, and a portfolio statement showing every security held on the client's behalf and the percentage it represents of a client's portfolio at the relevant reporting date.

- The performance of HBCT is actuarially assessed by completely independent, professional actuaries. This actuarially validated performance is provided to all the Trust's clients.
- The Co-Trustees act on the clients' instructions, subject only to ensuring that they comply with all the legal requirements that define an appropriate philanthropic recipient. The Co-Trustees meet formally twice a year for this purpose. Instructions from donors can be actioned at other times by the Co-Trustees, if necessary.
- If the client wishes to move their Foundation or Bequest to another suitable vehicle, the monies are portable, without exit fees.
- The HBCT structure allows the client to name their family bequest or endowment as they wish. It may, as a memorial, bear the name of a particular family member, or identify the family, or have a generic name that makes it anonymous. The choice is entirely for each particular client or client family.
- HBCT is publicly audited.

## BUSH HERITAGE



*Horseshoe Spring - now fenced with the assistance of the project.*



*The horse fence at Carnarvon Station.*



*The same horse fence approximately one year later.*



*Northern Quoll captured by the infra-red camera.*

A long standing family Charitable Bequest set up with HBCT has chosen to support environmental causes. In particular, it supports activities on various properties owned by Bush Heritage. Bush Heritage acquires run down or degraded properties in environmentally sensitive and important eco systems, and restores their flora and fauna to a pre-settlement state.

The above photographs, from Carnarvon Station in Queensland's Central Highlands, show outcomes from two projects funded by our client.

The first three photographs show the effect of fences put up to prevent pasture and waterhole degradation caused by a large feral horse population. The regeneration of native flora and fauna has been spectacular.

The final photograph shows images captured by infra-red camera equipment funded by the client, which allowed the mapping of nocturnal animal movements. The Northern Quoll, a nocturnal animal, was listed as nationally endangered at the time the image was taken. It was also at this time thought to be extinct in the Carnarvon region; there had been no sightings or traces of the animal in the area for many decades prior to this picture.

# YOUR INVESTMENT PARTNERS AND TRUSTEES

Harper Bernays Limited is a discreet, private investment management and family office firm established in 1988.

The firm's **SOLE** activity is looking after the investment and related financial needs of high net worth individuals and their families, and charities.

The firm established its Public Charitable Trust in 2006 at the request of existing Clients to give them bespoke, structured management of their family Charitable activities.

Harper Bernays acts as Funds Manager and one of the Co-Trustees of the Fund.

The HBCT's investment performance since inception, along with information on the company's Board, Investment and Management team, and its operating and investment processes can be found on the company's website [www.harperbernays.com.au/philanthropic-services](http://www.harperbernays.com.au/philanthropic-services)

The Co-Trustee, an experienced Custodian and Trustee, holds the assets of the Trust separate to the Manager at all times on behalf of the Trust's clients.

The additional Trustee is not required by law, but has been placed into the structure as part of a "belt and braces" approach to governance taken by the Harper Bernays' Board to protect HBCT's clients.

A family can choose its desired level of involvement with any charity or charitable project. This can range from anonymity, to disclosure of the family's name to the recipient(s) but with the Trustees acting on your behalf, to direct involvement in projects. We have clients in all categories, entirely at their discretion. A structure such as HBCT can have very considerable advantages over other vehicles in this regard.

The Co-Trustees have no conflicts of interest, owe their fiduciary responsibilities solely to the donor clients of the Trust, and act accordingly at all times in the best interests of HBCT's clients.

Very importantly, the Trustees, and various pro-bono expert contacts can help donors find suitable projects to support. They can also subsequently assess and provide regular professional updates on the recipients and their use of your donations.



## SPECIALIST PARKINSON'S NURSES



*Professor Simon Lewis from The Brain and Mind Institute with a Parkinson's Nurse.*



*A Parkinson's Nurse providing assistance.*



*A person living with Parkinson's being assessed by a PD Nurse.*

**A long standing HBCT client whose family has been affected by Parkinson's Disease is providing recurring funding to a programme providing specialist Parkinson's Nurses to rural and regional areas in New South Wales.**

This programme provides much valued and necessary direct pastoral support to those living with Parkinson's, and their carers, in more remote areas of the State.

It remains a key long term objective of various organisations associated with Parkinson's in Australia to provide a nationwide integrated network of specialist Parkinson's Disease (PD) Nurses to support those living with Parkinson's, and their carers, right across the country.



# SOME IMPORTANT CONSIDERATIONS FOR FAMILIES

The taxation environment and other factors at work in today's Australia have made establishing an in-perpetuity charitable foundation IN YOUR LIFETIME a more attractive proposition than it has ever been before.

This allows the client to see, enjoy and watch grow, the benefits of structured philanthropic giving in their lifetime, whilst leaving behind a formal vehicle for charitable giving by future generations of the family.

There is considerable research, both here and overseas, to demonstrate that, of all the areas where family finances might come into play, philanthropic giving is the one most likely to attract total family involvement.

Shared family philanthropic activities can provide intra-family social glue, and for multiple generations, more than any other activity involving money of which we are aware.

Giving in your lifetime also has considerable Estate Planning benefits. While nobody likes to contemplate it, Estates of substantial value where monies are left to a charity or charities can be, and sadly, often are challenged.

Again, sadly, we as a firm have witnessed this more than once, including in circumstances where the testator was very confident that there would be no challenge when they made their Will.

Putting the sums you may have otherwise contemplated leaving to charity in your Will into your own charitable bequest or endowment whilst you are living, and most especially with full family knowledge, removes the risk, however remote it may seem, of a challenge to your wishes on your passing.

Engagement with philanthropic monies often proves to be an extremely effective initiation into the prudent management of finances for younger generations who either have, or profess to have, no interest in finance or the management of family investments.

Several client families have asked us to mentor children and grandchildren on the principles of sound investment via their involvement with the family's charitable foundation. This is usually undertaken as a prelude to their introduction into broader areas of the family's finances and investments. Our experience has uniformly been that such an approach has been extremely effective for ensuring engagement by "generation next".



*If you're in the luckiest one per cent of humanity, you owe it to the rest of humanity to think about the other 99 per cent.*  
- Warren Buffett

# CORPORATE DIRECTORY

## THE TRUST

The Harper Bernays Charitable Trust  
ABN: 24 926 019 932

## TRUST MANAGER

Harper Bernays Limited  
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## AUDITOR

HLB Mann Judd

## BANKERS

Bendigo & Adelaide Bank

## LEGAL ADVISORS

TressCox Lawyers

## CONSULTING ACTUARIES

Professional Financial Solutions

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