

Smart ideas about wealth

An investment approach to charitable giving pays dividends

Published: 23.05.06

When we work with clients to develop their overall financial plan, invariably this includes a discussion about the role of philanthropy, whether that is giving time, money or both. Giving money can also be particularly tax-efficient in terms of income, capital gains and inheritance tax reliefs.

However, in our experience many donors are increasingly thinking about more than just giving; they are also thinking about how to ensure that their giving creates real impact. The recent public debates on efficiency of the Asian tsunami relief effort and the risks of funding the new city academies illustrate this growing trend.

Experienced donors are increasingly looking at how their money can help tackle the root causes of social issues, rather than just the symptoms. Some donors are even adopting new types of engaged giving, such as venture philanthropy and microfinance, that borrow from the investment models. All donors can benefit from adopting two common investment practices: seeking expert advice; and assessing the potential results and risks of the various options.

New Philanthropy Capital (NPC) is one of a growing number of expert advisers that helps donors to ensure that their giving has a high impact. As well as individual advice, it provides independent research on different issues: identifying the critical needs; highlighting charities that are achieving excellent results; and evaluating the results that new donations might achieve.

NPC's recent report into the work of charities in education highlighted the importance of assessing all of your options. Much of the current public debate has focused solely on academies and most donors are unaware that they could support work in existing schools as an alternative.

Academies provide completely new resources for communities and present attractive leverage, since the donor's £2million is matched by £23 million from government. Each

Smart ideas about wealth

academy will help 1,000 children each year for up to 25 years. However, the academies' results to date have been mixed; some academies have shown significant improvements over the schools they replaced but others have been disappointing. This is not to say that academies are a bad idea, just that they are an unproven, risky option for donors. The real issue here is that most donors do not realise that there is a range of effective alternatives, which represent different levels of potential results and risks.

NPC's research identified eight other areas, ranging from bullying to special education needs, in which charities are supporting existing schools. Many of these charities have developed proven ways to significantly improve young people's lives.

Here are three examples of what the £2 million donated to an academy could achieve elsewhere:

- Teaching assertiveness skills to 9,100 children who are being bullied, which has an 80% success rate in stopping the problems.
- Providing 1,100 children with intensive reading lessons, a proven way to help tackle literacy and learning difficulties.
- Funding after school clubs for 10,000 children, some of which have achieved over 60% success rates in reducing behavioural problems or in improving reading skills.

These options all potentially represent lower risk alternatives to an academy and can help in improving an existing school. Which option is the most cost-effective and appropriate will vary by community and the decision will also depend on the donor's own values and aims. However, making a more informed choice between options increases the likelihood of the donation making a real difference.

At Bloomsbury we work hard to ensure that our clients develop a personal wealth plan which is based on their personal money values and which also enables them to achieve all that is important to them. For those clients for whom philanthropy is important we are pleased to be able to call on specialists like New Philanthropy Capital, who can help our clients to make better decisions and obtain the best 'return' on their philanthropic giving.


For more information please contact any member of the wealth team:

Contacts	Telephone	Email
Jason Butler	07973 951107	jasonbutler@bloomsburyfp.co.uk
Campbell Edgar	07717 897609	campbelle@bloomsburyfp.co.uk
Carolyn Corless	07775 712969	carolync@bloomsburyfp.co.uk
Robert Lockie	07951 725880	robertl@bloomsburyfp.co.uk

Smart ideas about wealth

Disclaimer

This document is intended for informational purposes only and no action should be taken or refrained from being taken as a consequence of it without consulting a suitably qualified and regulated person. It does not constitute financial advice under the terms of the Financial Services and Markets Act 2000. It is not an offer to sell, or a solicitation of an offer to buy, the instruments described in this document. Past performance is not an indication of future performance. Interested parties are advised to contact the entity with which they deal, or the entity that provided this document to them, if they desire further information. The information in this document has been obtained or derived from sources believed by Bloomsbury Financial Planning (BFP) to be reliable, but BFP does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgement of BFP at this time, and are subject to change without notice.

BLOOMSBURY and the Bloomsbury Logo  are registered trade marks used under an exclusive sub-licence from Raymond James Investment Services Limited (RJIS). RJIS is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England and Wales No. 3779657. Registered Office 77 Cornhill, London, EC3V 3QQ.

© 2006 Bloomsbury Wealth Management LLP