

Dividends against diseases

Using dividend donation, shareholders have begun donating money they have never owned to charity, as Simon Mumme reports

Dividend donation, a mechanism built and patented in Australia, offers shareholders a way to give to charity the small dividends paid by participating ASX-listed companies.

Shareholders tick one of two boxes on an existing dividend election form, and from then on a slice or all of their future dividends from collaborating companies bypass them, directed to a pre-determined charity.

Once in place, this process can give the social cause a steady stream of funding, with no further input required from donors and at no cost to the charity or public company.

The tax-deductible donations do not affect imputation credits attached to the dividend: investors have simply passed on parcels of money they are entitled to, but have never cashed.

Mark Stanton, a chartered accountant who invented the system, says it targets dividends up to \$100 in value, although much larger sums have been given.

The Children's Hospital Foundations Australia (CHFA), a partnership between five major children's hospitals in different states, was the first philanthropic organisation to implement the mechanism, now a part of its Investing in Hope program.

Bank of Queensland (BoQ) joined the program in May 2004, enabling shareholders to put some or all of the dividends paid to them by the bank towards CHFA. The Queensland Institute for Medical Research has also implemented the program, naming it Dividends Defeating Disease. ABC Learning Centres and Transpacific are among the companies that have joined this program. ANZ,

too, has begun a dividend donation program, supporting a range of medical research and social causes.

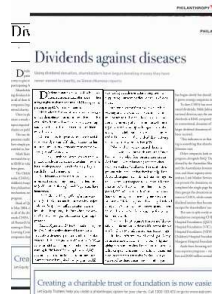
Stanton first thought of the concept while working as chief executive of Security Mail, a mailing house, and as chief financial officer and company secretary of Collection House Limited, a group of companies specialising in receivables management, debt purchasing and collection. He realised that many of the dividend cheques being sent to investors were less than \$100.

"Many of these went uncashed," he says.

The potential volume of this unclaimed money became clearer when Stanton later attended an AMP annual general meeting, and then-chief executive Andrew Mohl asked the shareholders present to indicate whether they had lodged their dividend cheques. Few had, and Stanton recognised this loose money as a good source of donations to charities. AMP has since found that in a five-year period, \$50 million of dividends it paid were never banked, hinting at the potentially massive volume of untapped dividends put out by the top 200 listed companies. Stanton went on to develop and patent the dividend donation framework, the first of its kind in the world.

"If we could capture just 0.1 per cent of the total dividends put out by the top 200 companies, we would achieve \$50 million, per year," Stanton says.

But it will take time to achieve this goal. Many businesses have already implemented workplace giving, a system introduced to Australia more than a decade ago in which employees donate a specified amount of their salary to charity. Stanton says the success of dividend donation is a "numbers game": it



has begun slowly but should grow as awareness of it grows among companies and investors.

To date, CHFA has received \$80,000 of donated dividends. Nikki Johnston, the organisation's national director, says the average donation from dividends is \$160, compared to the average "paper", or conventional, donation of \$20 to \$60, and that larger dividend donations of up to \$2,500 have been received.

"This indicates to us that this method of giving is something that shareholders want to do," Johnston says.

Other companies look certain to join the program, alongside BoQ. The system has been endorsed by the Australian Shareholders' Association and the Australasian Investor Relations Association, and share registry service providers Comput-

ershare, Link Market Services and Advanced Share can process the donations, once investors have completed the single-page form. The share registry then groups the donations and makes a single payment to CHFA, while notations on the pre-existing dividend notices then become tax deductible receipts for shareholders' tax returns.

The sum is split evenly among the five hospital foundations comprising CHFA: Royal Children's Hospital Foundation (QLD); Royal Children's Hospital Foundation (VIC); Sydney Children's Hospital Foundation (NSW); Women's and Children's Hospital Foundation (SA); and Princess Margaret Hospital Foundation (WA).

Aside from Investing in Hope, each foundation runs separate programs – raising between \$60 million and \$100 million annually, Johnston says. ■