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INCISIVE INSIGHT

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A charity sweetener for shareholders

CHRISTMAS is fast approaching – that time of year when thoughts turn to family, friends and those less fortunate than ourselves.

Making donations to charities is part and parcel of living in a progressive and prosperous society. But it is not always as straightforward as it could be. Quite apart from the number of organisations in need of support, there are the issues of paperwork and record-keeping to consider.

Children's Hospital Foundations Australia aims to make the process simpler and more reliable through the establishment of the Investing In Hope dividend donation program.

The program enables shareholders in participating listed companies to have all or part of their dividends paid directly to the foundations organisation.

The group is made up of five entities: the Royal Children's Hospital Foundation (Qld); the Royal Children's Hospital Foundation (Vic); the Sydney Children's Hospital Foundation (NSW); the Women's and Children's Hospital Foundation (SA); and the Princess Margaret Hospital Foundation (WA). All donations made to the group are split equally.

By working with share registries, the organisation has substantially simplified the process of making a donation. If a company chooses to participate, forms are sent to shareholders, allowing them to nominate how much of their dividend payments they would like to donate. Shareholders may choose to donate a flat dollar amount, or a fixed percentage of each dividend payment.

Choosing the percentage option means shareholders continue to receive an income stream and the charity likewise receives a continuing income.

Shareholders continue to receive all the franking credits attached to their dividend payments, and also receive a tax deduction for the donation.

Michael Hutton, a financial planning partner with HLB Mann Judd in Sydney, says the net result is the same for shareholders under the donation program as it would be if they received a cash dividend payment and then made a donation to charity, in two separate transactions. But there are record-keeping and convenience benefits in having an automated system set up.

"They're saying they'll make it easy for you," Hutton says. "The share registry is doing the work. I guess that what charities are looking for is to make it more automated and simpler for people. It's a nice way for charities to get a fairly steady and predictable – or, in fact, growing – cashflow."

The foundations organisation worked with Computershare to establish the first program and to design the paperwork, which includes a dividend election form and a combined dividend advice form and receipt for a tax-deductible donation. Other share registries are also able to administer such a program.

The group's national director, Nikki Johnston, says the foundations got the program off the ground thanks to the support of Bank of Queensland, whose shareholders were the first to be given the option of donating dividends. Initially only eight shareholders did so. Most recently, 80 of the bank's shareholders donated all or part of their dividends to the foundations.

The program has been endorsed by the Australian Shareholders' Association and the Australasian Investor Relations Association.

"We're very excited about it," Johnston says, "because it's a growing stream of income for charities ... the average [dividend] donation is about $160 per person. In charitable terms, that's a very high donation. If you were doing any other sort of donation request, the donation is about $20 to $25."

Dividend cheques worth an estimated $50 million go uncashed each year, for reasons that aren't entirely clear. In some cases, it may be that the cheques are for amounts that are too small for shareholders to bother cashing. Even if only these shareholders redirected their dividends to charity, it would be money put to good use.

Simon Hoyle