Andrew Thomas, Perpetual Private

Andrew is responsible for Perpetual's Philanthropic Services business including the management of over 450 Charitable Trusts, Private Ancillary Funds and The Perpetual Foundation.

Perpetual's Philanthropic Services team works closely with individuals, families and not-for-profit organisations, providing advice on establishing and maintaining philanthropic structures. This includes a specialist grant making service that matches charitable intent with suitable causes, charities and projects for maximum community outcome.

Before joining Perpetual, Andrew was the executive director of a large national not-for-profit organisation, which provided him a practical view of the matrix of various regulations that non-profit organisations face.

Most recently, Andrew has been appointed to the board of the Children's Health Foundation in Queensland.

STRUCTURED PHILANTHROPY GIVES CERTAINTY TO MEDICAL RESEARCH

Andrew Thomas

"Once you've met one philanthropist, you've met one philanthropist."

This truism in philanthropy highlights the complex nature of mobilising an individual, family or group to gift money for the good of a community, charity or cause. Yet philanthropy is clearly shaping the agenda for progression in the arts, sports, health, science, and medical research sectors, with outcomes driven by recipients that range widely from small niche and highly focused initiatives to global charitable institutions.

Structured forms of philanthropy clearly play a vital role in the advancement of medical research and science. Australia's excellence in these fields is renowned worldwide, yet their research base remains highly vulnerable to inconsistent funding and its distance to collaborative partners abroad. Capital intensive and long-term focused, research programs can only thrive with a stable and certain funding base, be it from multiple sources including private and public grants. Entry level PhD scientists, considered by many to be in their creative prime, are rarely funded beyond three years, after which time they must apply for more salary funding, with one in three likely to be successful. This uncertain equation is naturally confounded with mortgages and young families to support.

This environment presents challenges in retaining good talent at the forefront of medical science. Further, these career scientists need the support of cutting-edge technologies and equipment that in turn need people with expert skills to drive them. The opportunities and threats are magnified in the world of medical research. Few will be willing to fund million dollar pieces of technology when the project's capital base is exposed to too much uncertainty. Yet the success stories can save and change the lives of people across the globe.

The mismatch between funding certainty and the need for conviction and time for effective medical research is an excruciating one. More often than not it is the discoveries made inadvertently through research that are the most powerful. Daily grind work in particle physics led to the creation of the World Wide Web and the digital camera was first developed at the University College London for the purpose of advancing astronomy studies.

Even in Australia, in the 1970s a group of researchers were studying black holes, for which Stephen Hawking would become famous, and the techniques they used would create signals that led to the discovery of wi-fi. Even where there has been greater conviction and purpose, it took Dr Ian Frazer and his colleague Dr Jian Zhou decades of research to glimpse the first signs of virus-like particles, making possible the vaccine for cervical cancer.

There are several examples of unexpected discoveries that have since shaped our lives, but the point is, this creativity requires genius, persistence and time – an expensive formula that extends to the procurement and maintenance of special equipment for our research hubs to remain first class in their pursuit and validation of the next frontiers.

Philanthropy is a vital source of funds for medical research in Australia, and it is also where philanthropy is most progressive. Philanthropists including Charles Feeney and Rupert Murdoch have lead the movement with governments to match private funding, and

The quote

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foundations have been set up by individuals, families and charities to fund niche parts of medical research. Others have been set up to promote the sector as a whole by encouraging and recognising the efforts of early career scientists. Yet successful partnerships between medical research and philanthropy are also critical for the growth of philanthropy.

Track records of foundations in the medical research sector debunk the myth that giving deteriorates in perpetuity. In fact, most grow stronger. An excellent example is the Ramaciotti Foundations established in 1970 to support critical early stage research. Their value has grown from an initial donation of $6.7 million to more than $52 million net of yearly distributions. The foundations were established by Vera Ramaciotti, who suffered from diabetes for most of her life and knew first-hand how medical science could improve the lives of individuals. When she inherited her father's fortune in the late 1960s, Vera decided to put the money to work, establishing the Clive and Vera Ramaciotti Foundations under the management of Perpetual. The Foundations have since played a vital part in Australia's biomedical community, kick-starting the careers of the country's most successful researchers and providing research institutes grants to buy needed equipment.

Among those to receive the annual Ramaciotti Medal for Excellence in Biomedical Research are:

- **Professor John Coghlan**, 1995, in recognition of his molecular biology research and the development of a technique known as 'in situ hybridisation histochemistry' which identifies which cells in organs contain the machinery to manufacture specific hormones
- **Professor Ian Frazer**, 2008, in recognition of his work that contributed to the development of the world's first cervical cancer vaccines. His research project first received funding from the Ramaciotti Foundations in 1989
- **Adjunct Associate Professor Janet MacCredie**, 1976, for her work on neural crest injury. Her first grants enabled her to test and ultimately prove the theory of neural crest injury as the pathogenetic mechanism of thalidomide and similar embryopathies
- **Professor Rob Sutherland**, 2000, in recognition of his focus on estrogen and antiestrogen action in breast cancer cells, which preceded the development of one of Australia's largest cancer research programs. Earlier support from the Ramaciotti Foundation helped set up a cell culture facility at the Garvan Institute of Medical Research which at the time had not ventured at all into cancer research
- **The Brain & Mind Research Institute**, 2003, received the $1 million Ramaciotti Biomedical Research Award to purchase an animal positron emission tomography (micro-PET) scanner, allowing the establishment of the 'Clive and Vera Ramaciotti Centre for Brain Imaging'.

Funding by private philanthropists like the Ramaciottis is essential to the ongoing research of some of the country's largest – and not so large, institutions. In 2010, funds from a range of charitable trusts that Perpetual manages were directed to the likes of the National Heart Foundation of Australia, the AIDS Trust of Australia, the Garvan Institute of Medical Research, Macquarie University, the National Breast Cancer Foundation, the Victor Chang Cardiac Research Institute and countless more.

To my mind, I can think of fewer genuine win-win scenarios than the Ramaciotti Foundations. Their legacy has saved lives and will be respected by future generations for making possible projects that may otherwise have failed. Despite their yearly distributions, the foundations' corpus value keeps growing. Its success is a testament to the difference that forward-thinking philanthropists can make, by having a vision of supporting medical breakthroughs, and putting in place the right long term strategy to achieve it.

It is impossible to put a value on the social wealth the Ramaciottis have produced, and they are one of several foundations making possible extraordinary discoveries. Australia's most recent Nobel Prize winner Brian Schmidt discovered the accelerating universe using Keck telescopes funded by W.M Keck Foundation. This organisation was established in the mid-50s by William Keck, founder of the Superior Oil Company. He similarly adopted a progressive approach to grant making that today continues to support discoveries in science, engineering and medical research in the United States.

The two share a common trademark feature – that charity starts at home, in their cases, their home nations. Yet more critically, they share the vital ingredients for sustainable giving – vision, conviction and a funding base.

Not all foundations need to be conceived with millions however. One of the best examples of this outside of the medical research landscape is the Kibble Literary Awards. Developed from a single act of philanthropy, the awards aim to encourage Australian women writers to advance, improve and further women's literature. The trust behind the awards was established in 1994 with just under $400,000 and is also managed by Perpetual. Today, it's worth more than $600,000 and has awarded more than $450,000 to female writers.

The divide between arts, culture and medical research philanthropic activity is certainly narrowing, although they do remain distinct funding pools. Where arts and culture has deep roots in philanthropy that have developed over several decades and indeed centuries, successfully leveraging people's wish to be part of a peer-like community, medical research has relied on diplomats to facilitate discussions between scientists, researchers, governments, investors and philanthropists. The very complex nature of medical research presents communication obstacles in engaging the community, so

support tends to come from a smaller and highly focused philanthropic community.

Ian Frazer is among our best scientific diplomats and it is very clear from his efforts and those of his peers that talking about initiatives generates a very positive response. This process alone cries out for philanthropy to support communication initiatives in medical research.

While philanthropy has far to grow in Australia, it is a discussion that is growing around family dinner tables, conference rooms and parliamentary cabinets. We definitely need more Ramaciotti initiatives to create a stronger groundswell of funding support for medical research funding, and for these new and growing initiatives to step up publicly and own their philanthropic footprint. Peer leadership in giving will go a very long way in encouraging more collaboration between giving and research that pushes new frontiers of opportunity and possibility.

Australia's NHMRC [National Health & Medical Research Centre] reportedly received 3737 applications for project grants in 2012, up 7% on the previous year, compared to the UK's Medical Research Council, which received 1377 applications for projects and programs. There is clearly significant potential for great discoveries.

While Australia's philanthropy remains in its infancy as a social and economic driver in contrast to the United States where people prescribe to the maxim "for the community by the community," it is evolving, evidenced by the rise in numbers of charitable foundations that structure their giving through Private Ancillary funds (PAFs).

A PAF is a charitable trust, managed by a corporate trustee, which invests donated money or assets and then distributes the earnings to eligible charities. They are grant making entities, rather than operating charities, allowing philanthropists to create their own charitable foundation to help support one or several charities in a sustainable way over the long term.

Described as "future funds" PAFs can operate in perpetuity, with assurance that the fund continues to perpetuate the giving intentions of the individual or family. Requiring a recommended minimum of $500,000, PAFs must distribute 5% of their asset value each year, with the remaining funds invested.

There are now over 1000 PAFs set up in Australia that collectively distribute approximately $200 million in funds to charitable initiatives each year. Whilst the number of PAFs could be greater, it is worth noting that their aggregated corpus value has more than doubled in the last five years to circa $2.5 billion.

PAFs and other forms of structured giving have allowed philanthropy to evolve from adhoc, relief-focused giving, often in response to disasters or tragedies, to a more structured format that reflects greater consideration of the longer term benefits that can be achieved with funding certainty. This is not to suggest that one form is better than the other, certainly unexpected lump sum donations can help organisations accelerate development and achieve critical milestones sooner. But increased structured giving affirms the role of philanthropy as addressing the root causes of societal issues rather supporting band-aid solutions.

The decision to structure giving should really boil down to two questions – what are your giving objectives and how best can your giving be applied to these objectives. The process should be well considered and the solution strategically structured to ensure giving achieves its desired impact. Ultimately the process to give is not dissimilar to that applied to commercial business decisions, yet the creation of social wealth arguably carries exponential value. **FS**

Further reading

For more on the deductible gift recipient (DGR) category for private ancillary funds, see www.ato.gov.au/nonprofit/content/00215720.htm