

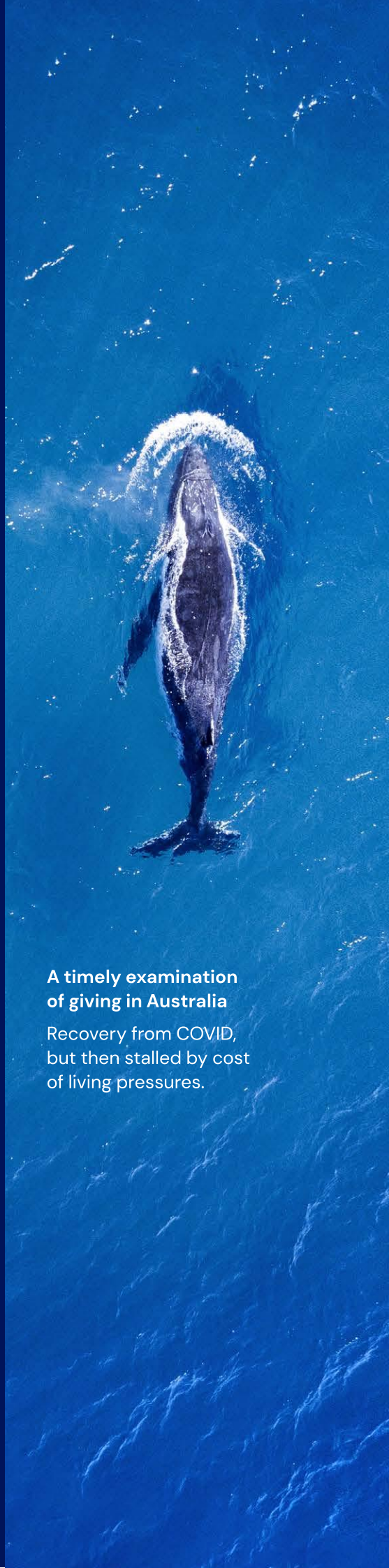
JBWere

JBWere NAB Charitable Giving Index

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**A timely examination
of giving in Australia**

Recovery from COVID,
but then stalled by cost
of living pressures.

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| Methodology

The JBWere NAB Charitable Giving Index (CGI) is derived from NAB transaction data. Total giving recorded by this analysis represents around one fifth of total giving reported by the charity sector to the Australian Charities and Not-for-profits Commission (ACNC) and therefore gives an excellent view of current giving trends in Australia, particularly by mass market and recurrent donors.

It captures spending by donors using various electronic payment methods such as eftpos, credit cards, BPAY and PayPal. Cash transactions and direct transfers into charity bank accounts are not included.

It compiles all donations from non-business customers and uses the International Classification of non-profit organisations (ICNPO) to divide that giving into the different cause areas. It is also calculated monthly rather than just annually and provides broad location information, allowing better seasonal and event/cause specific analysis.

| Executive Summary

The latest data from the Australian Taxation Office (ATO) for giving and the ACNC for Charities, to June 2021 has recently been released but the JBWere NAB Charitable Giving Index take us up to June 2023. Earlier trend results from the CGI data had suggested that giving may have recovered to pre COVID levels by mid 2022, but then cost of living pressures, partly driven by multiple interest rate increases, pushed that date back by at least 6 months with end 2022 only now equalling those previous giving peaks.

Highlights from the report include:

- While giving has now slowly recovered to pre-COVID levels, this period represents approximately \$3 Billion in lost donations compared to long term giving trends.
- Data from both the USA and UK are seeing similar pressures for both giving and volunteering.
- These problems are coming when for-purpose demand is rising fast and wage support for both these organisations and their clients have subsided.
- These mass market giving trends are in stark contrast to the growth we see in both high net worth giving, Private Ancillary Fund (PAF) establishment and corporate community investment.
- The effect on various cause areas is markedly different, driven partly by the public's perception of need. Support has moved from animals to health, art has seen a recovery and now gains are being seen for social services.
- Performance differences between States and Territories are more consistent. Notably South Australia has shown good recovery and the more populous States of New South Wales and Victoria have shown recent strength.
- Overall, however, this combination of recent challenges has seen a combined fundraising gain for the Charitable Giving Index of only 7% over the past four years to December 2022.

In addition to our analysis of this CGI data, JBWere have contributed to the current Productivity Commission Review into philanthropy with the hope of furthering opportunities for growth in this critical part of the for-purpose sector. The main suggestions for the Review and further detailed in our response are summarised in order of information request below:

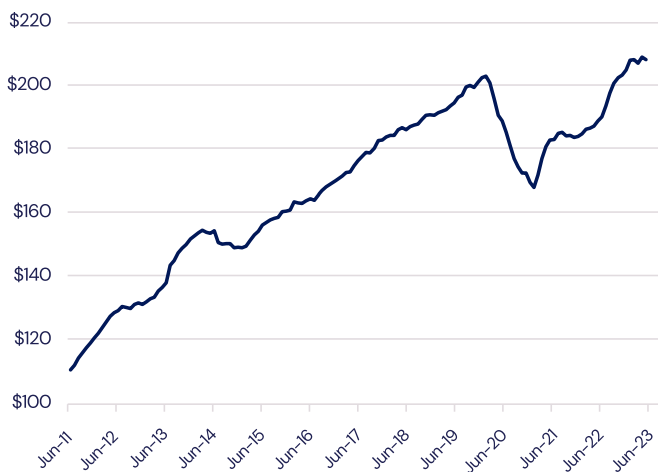
- Make a live data cube available for full ACNC AIS returns including financial details.
- Introduce a living bequest system.
- Remove the "death tax" on superannuation intended to be left to charity.
- Allow superannuation left to charity to provide a deduction/offset to the "death tax" for non-dependents.
- Consider allowing tax deductions above 100% for donations made to selected causes during times of greater need.
- Implement the recommendations of the Social Impact Investment Taskforce.
- Continue the flexible distribution levels available to ancillary funds during COVID.
- Develop a Centre for Social Measurement to better and consistently measure, value and reward social impact.
- Improve the knowledge/advice from professional advisers about philanthropy options, partly by increasing the donation options available to their clients.
- Improve the availability and use of existing data (e.g., PAF distributions) on philanthropy, already collected.
- Reinstate "main activity" and adding bequest and corporate community investment data as part of AIS returns.
- Fund and helping establish a National Giving Campaign.

Overall giving trends

Giving has now recovered to the levels seen pre COVID and during the bushfire crisis of late 2019 and early 2020 (Chart 1). Although we can be pleased with that increase from the unprecedented fall during 2020, it still leaves us with 3 years of fundraising growth lost plus a patchy and unsteady recovery. At average annual growth rates seen pre COVID, this represents almost \$3 Billion lost during that period. It also comes at a time when for-purpose organisations are struggling with high demand and they and the people they serve are no longer seeing wage support through this new crisis. While we don't need reminding, we are currently experiencing a third major crisis in three years in Australia with the latest cost of living pressures. These issues are influencing the normally steady growth in giving seen over many years making the predictability of funding challenging. It is also uneven across causes, States and donor segments which we will address later in the report.

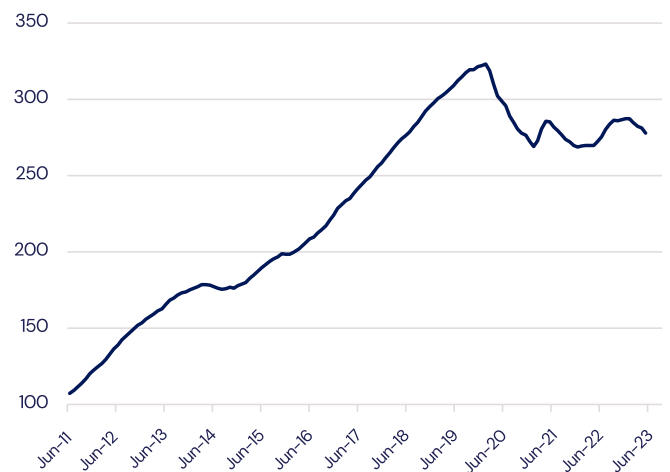
Australia isn't alone in facing these crises with similarly difficult fundraising conditions being faced in other countries including the USA and UK. Data from the *Fundraising Effectiveness Project* in the USA showed a levelling off in donations during 2022, with the December quarter weakening. This was particularly driven by lower retention of both newer donors and smaller rather than larger donors. This highlights our longer-term concerns about the normally steady growth in fundraising masking the offsetting factors of a lower proportion of donors in the population versus an increasingly generous level of giving from those continuing to do so.

Chart 1 – Donations June 2011 – June 2023



Source – NAB Charitable Giving Index, JBWere Philanthropic Services

Chart 2 – Number of donors June 2011 – June 2023



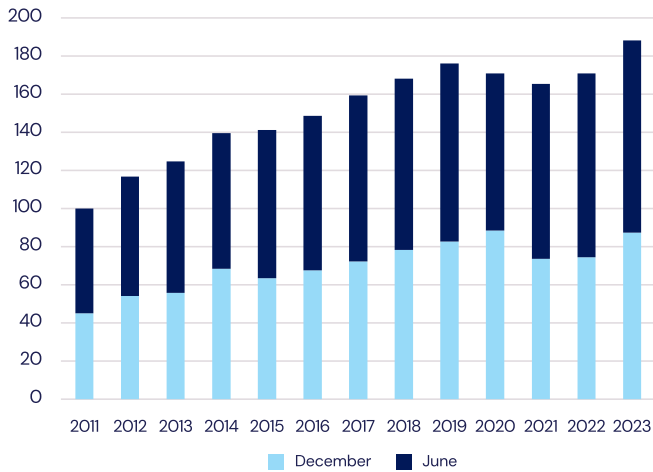
Source – NAB Charitable Giving Index, JBWere Philanthropic Services

In terms of donor numbers, the recovery has been less impressive (Chart 2). There was a small uptick as events recommenced in early 2021, but this has stalled due in part to a reluctance by some to participate at pre-COVID rates, and more recently due to the growing influence of interest rate rises and other cost of living pressures.

The strong relationship between donors and volunteering suggests that this critical part of the for-purpose sector financial model is also under pressure. The recent Federal budget allocated \$3m towards a national advertising campaign to help boost participation in volunteering and highlighted the substantial decline since 2016. While some of this is attributed to COVID, the trend commenced earlier and if mirrored by these donor numbers, recovery is likely muted at best. Again, this is not only an Australian issue with a recent U.S. Census Bureau and AmericaCorps survey showing the largest decline in volunteer participation falling 7% to 23.2% from 2019 to 2021, the largest decrease since the survey began in 2002.

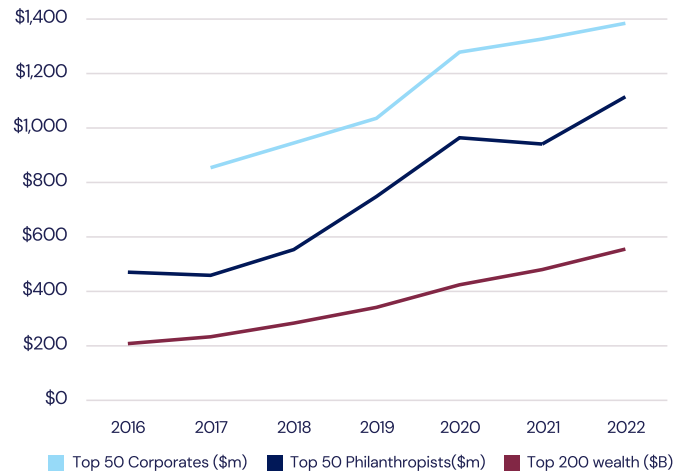
When viewed on a full financial year basis, the for-purpose sector budget challenge becomes a little clearer (Chart 3). Steady increases to June 2019 and even the first half of FY 2020 (Dec 2019) were quickly interrupted and saw FY 2020 show the first significant fall in giving (predominantly mass market), followed by another decline in FY 2021. From those lows, a recovery came in FY 2022 and the first half of FY 2023 indicates more ground may be picked up. The total for the latest full year will be determined by the future direction of the current giving plateau and many economic signals have not been overly encouraging.

Chart 3 – Donations by FY 2011–2023



Source – NAB Charitable Giving Index, JBWere Philanthropic Services

Chart 4 – Wealth, HNW giving and corporate community investment



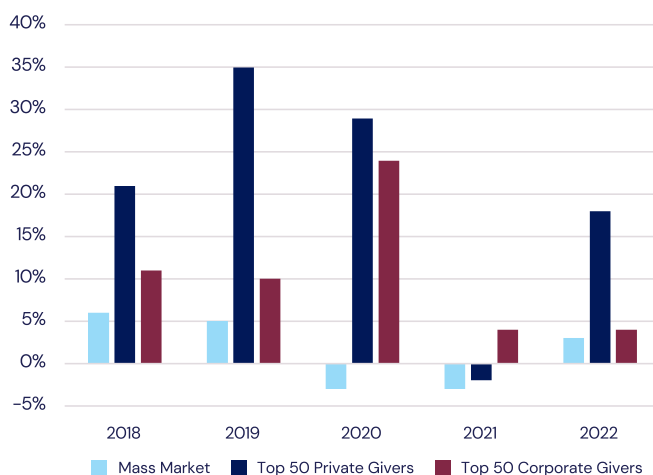
Source – JBWere Philanthropic Services

As highlighted in our methodology section, the JBWere NAB Charitable Giving Index is more representative of broader giving than of high net worth giving or corporate community investment. To see how those areas fared during recent times we can be guided by the results of the annual top 50 lists published in the Australian Financial Review (AFR) and compiled by JBWere (in partnership with Strive Philanthropy for the corporate list). Both private and corporate giving saw new records established in 2022, to match new levels of overall wealth (Chart 4). The gap between the rich and poor is as true in philanthropy as in broader life.

This growth in larger giving also extended into the number of new Private Ancillary Funds (PAFs) established with almost 150 in the year to June 2022, the third highest annual total in their 22 year history. As impressive as that may be, we still feel that the number of PAFs in Australia should be 10 times the current 2,100 based on our analysis of wealth and income statistics.

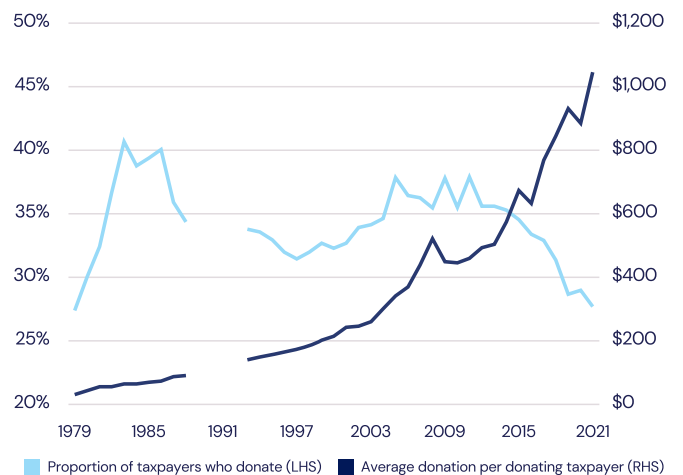
To further highlight the different rates of growth being experienced by various donor segments, we have shown annual changes since 2018 for the mass market (as represented by the Charitable Giving Index) and the totals for the top 50 private and corporate givers from our AFR lists (Chart 5). In each of the 5 years, both private and corporate giving grew faster than the broader market. Even in the full COVID year of 2021 when all giving was most under pressure, large private giving almost maintained the high levels achieved after 3 extremely strong years and despite corporate profitability issues, their giving rose. Recent crises haven't changed these relative donor segment growth trends, they have simply accelerated them. In addition, recent ATO data for 2020/21 showed the continuing decline in the proportion of donors versus the increasing generosity of those still donating (chart 6).

Chart 5 – Annual growth rates for giving



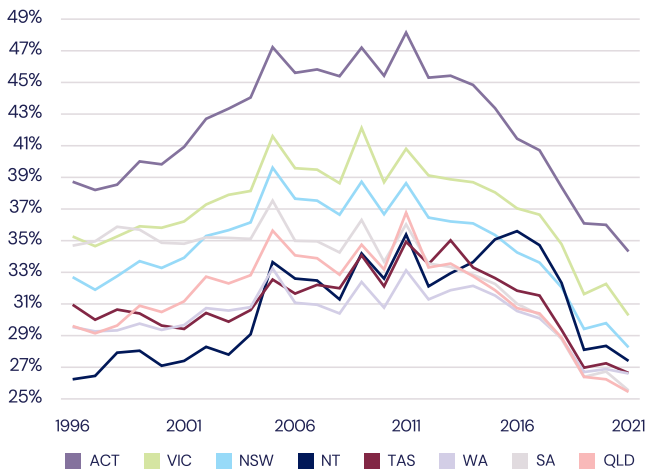
Source – JBWere Philanthropic Services

Chart 6 – Proportion of taxpayers claiming donations & average amount 1979–2021



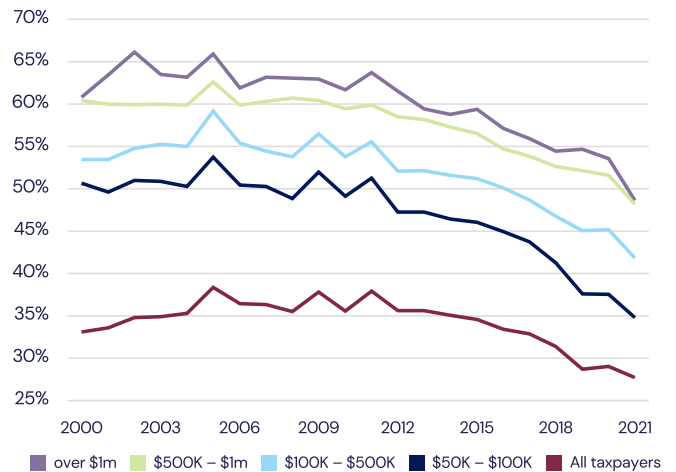
Source – ATO, JBWere Philanthropic Services

Chart 7 – Proportion of Taxpayers making donations in Australia by State



Source – ATO, JBWere Philanthropic Services

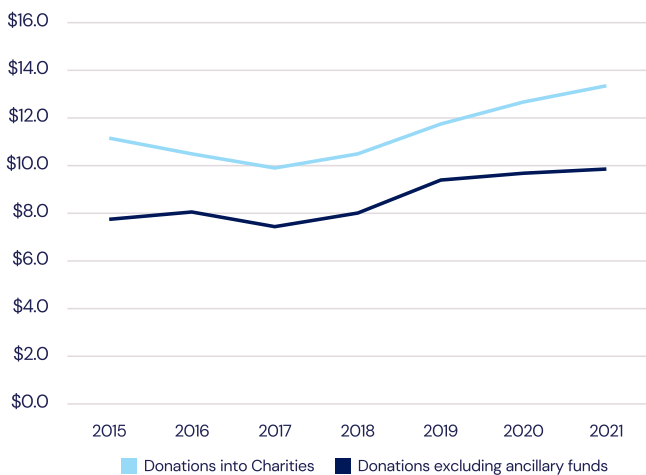
Chart 8 – Proportion of Taxpayers making donations in Australia by income level



Source – ATO, JBWere Philanthropic Services

Data for both the proportion of donors by State (Chart 7) or by income (Chart 8) highlight the widespread falls in the relative number of people supporting charities through tax deductible donations. While the wealthier States/Territories and income levels thankfully have higher ratios, the trend across all divisions is disappointing and further point to the need for a National Giving Campaign as recommended in JBWere’s submission to the Productivity Commission’s Review into Philanthropy.

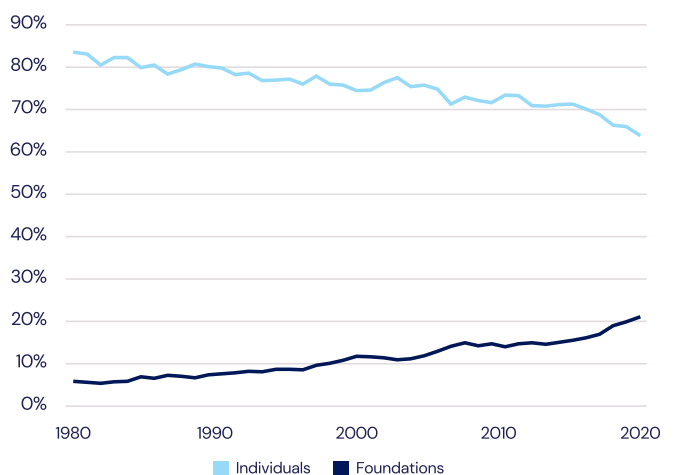
Chart 9 – Donations to Australian Charities 2015 – 2021 (\$Billions)



Source – ACNC, JBWere Philanthropic Services

Further data has been released by the ACNC for charities via their annual information statement (AIS) for 2021. Looking at the total donations and bequests received by charities, we see a rise in 2021 to \$13.36 Billion, up 5.3% on 2020 (Chart 9). However, if we exclude the effect of ancillary funds (both private and public) the increase is only 1.8%. As charities, donations into ancillary funds “giving charities” are recorded alongside donations into “doing” charities. In addition, donations from ancillary funds to Deductible Gift Recipient (DGR) charities are also recorded as a donation to the “doing” charity. Excluding both values highlights both their effect and the much slower growth from the broader market.

Chart 10 – USA – change in share of donations 1980–2022



Source – Giving USA, JBWere Philanthropic Services

Australia is not alone in seeing the growth in philanthropy coming more from higher net worth donors (usually through Foundations), than the mass market/individuals. Recently released data from Giving USA showed donations to December 2022 fell by 6.4% for individuals (US\$319 Billion) while it rose by 2.5% for Foundations to a record US\$105 Billion. Foundations in the USA now represent over 20% of total donations while individuals fell under 65%, both for the first time. Australia is seeing similar trends and for-purpose recipients of philanthropy need to prepare for these changing “case for support” discussions.

Individual cause areas

While overall fundraising fell during COVID, recovered and then stalled due to cost of living pressure, there has been a significant difference in results between cause areas in recent years. Concern for animal welfare during the bushfires moved towards health support as COVID hit. Arts then showed later recovery with operational re-openings and social services grew as cost of living concerns grew. Causes such as education and international aid remained muted. We have shown the relative donation values for each cause by calendar year totals to better reflect large crisis event timings from 2018 to 2022 (Table 1).

Table 1 – Donations Dec 2018 – Dec 2022

Causes	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Animal Protection	\$100	\$104	\$107	\$97	\$93
Culture and Arts	\$100	\$98	\$56	\$91	\$114
Education	\$100	\$104	\$78	\$85	\$98
Environment	\$100	\$99	\$76	\$96	\$82
Health	\$100	\$124	\$129	\$144	\$158
International aid	\$100	\$93	\$90	\$93	\$92
Religion	\$100	\$103	\$93	\$99	\$108
Social Services	\$100	\$109	\$101	\$93	\$100
Total	\$100	\$105	\$90	\$96	\$107

Source NAB Charitable Giving Index, JBWere Philanthropic Services

Animal Protection – The positive, bushfire induced, support during 2019 and 2020 has fallen away as public focus moved to other causes. However, the number of donors fell only slightly since their peak in early 2020 suggested retention remains good albeit at lower giving levels.

Culture and Arts – In line with their operational challenges of the last three years, donations have been volatile. The lack of live donor connections saw donations collapse in 2020 but then recover strongly with re-openings. Donor numbers continued their strong recovery after COVID, now back to 2019 peaks.

Education – The expected decline in support experienced during COVID, has seen a muted recovery. After an initial bounce in donor numbers post COVID, we saw a plateau until mid 2022. Since then, a good period of growth has been seen, helping the donations recovery in 2022.

Environment – Broad market donations don't reflect the needed and gradually increasing focus on this cause. Partly this is due to growth in funding coming more from larger donors, not all captured in this giving index and partly due to investment rather than fundraising often seen as the solution for many supporting the cause. Consistent with that, the number of donors also slid during the last couple of years from this broader mass market.

Health – This broad sector has remained strong in both donations and donor numbers. Demand and performance during COVID continues to inspire support. The sector has traditionally not seen a significant proportion of income from philanthropy, but recent gains may cause a more sustained focus on fundraising.

International aid – Flat but consistent are the highlights for international aid over recent years. The level of donations has held up a little better than the number of donors, reflecting overall for-purpose trends of fewer but more generous donors.

Religion – After slightly volatile and overall flat fundraising in recent years, giving to religion recovered well in 2022. This was more from the individual level of giving than from the number of donors which has continued to struggle.

Social Services – Fundraising has been reasonably volatile in recent years but showed good growth in 2022 as recognition of the effects of cost of living pressures led to donor support. Interestingly, this was the opposite trend to that seen during COVID when Government support partially offset individual financial need and for-purpose assistance for many. Donor numbers have only declined marginally over the last 12 months but are still at healthy levels.

State differences

The contrast in fundraising results between causes has been quite dramatic over the past few years and while there have been winners and losers by location, the differences are less stark. The strong recovery in South Australia during 2022 stands out after a challenging few years. The most populous States, New South Wales and Victoria have performed well during the recovery, as has the ACT which has the wealthiest population by average income. The remaining States of Queensland, Tasmania, and Western Australia, plus the Northern Territory remained steady.

More tellingly, the low, overall, 7% total growth from 2018 to 2022 points to the need for a National Giving Campaign to revitalise giving and volunteering in Australia.

Table 2 – Donations Dec 2018 – Dec 2022

State/Territory	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
ACT	\$100	\$99	\$88	\$96	\$112
NSW	\$100	\$103	\$88	\$97	\$111
NT	\$100	\$107	\$99	\$96	\$97
QLD	\$100	\$103	\$100	\$98	\$97
SA	\$100	\$108	\$81	\$79	\$112
TAS	\$100	\$106	\$100	\$103	\$99
VIC	\$100	\$109	\$90	\$103	\$109
WA	\$100	\$103	\$87	\$80	\$96
Total	\$100	\$105	\$90	\$96	\$107

Source NAB Charitable Giving Index, JBWere Philanthropic Services

| About JBWere

JBWere provides a wide range of investment advisory, research and wealth management services to a substantial and diversified client base. We have over 500 staff and offices in Melbourne, Sydney, Brisbane, Canberra, Adelaide, Perth, Auckland, Christchurch and Wellington.

Our clients include for-purpose groups and organisations, government bodies, financial institution, high-net-worth individuals and families across Australia and New Zealand. We are proud to be the leading provider of philanthropic, governance, strategy and investment advice to the for-purpose sector, who have entrusted us with more than \$12 billion of their financial assets.

Since 1840, JBWere has provided world-class investment advice and superior service to our discerning clients. Our reputation as a market leader is founded on our commitment to excellence, our diverse service offering and the expertise of our people.

JBWere has evolved over the decades from a privately owned Australian partnership and is now 100% owned by National Australia Bank. We have research alliances with UBS, MSCI and Moelis Australia.

To discuss how we might be able to work with you please contact us on 1300 263 166 or Philanthropic.Services@jbwere.com

| About NAB

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