

Morgan Stanley



## Private Ancillary Funds

Empowering strategic philanthropy

At Morgan Stanley, we believe the efforts of charitable individuals and families can make our world a better place. Our proven capability makes us the partner of choice to help you realise your goals from both a financial and social-impact perspective.

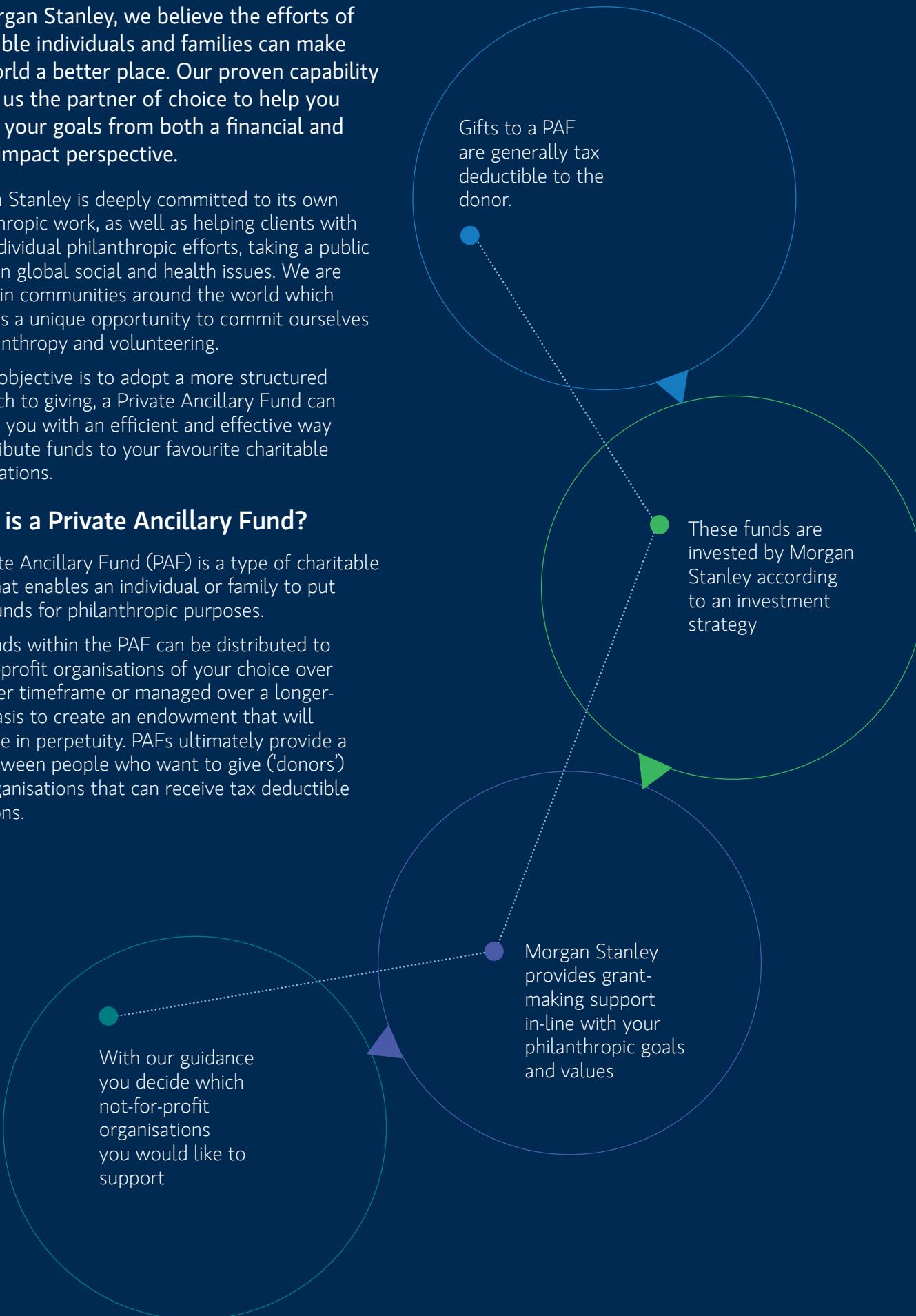
Morgan Stanley is deeply committed to its own philanthropic work, as well as helping clients with their individual philanthropic efforts, taking a public stand on global social and health issues. We are rooted in communities around the world which provides a unique opportunity to commit ourselves to philanthropy and volunteering.

If your objective is to adopt a more structured approach to giving, a Private Ancillary Fund can provide you with an efficient and effective way to distribute funds to your favourite charitable organisations.

## What is a Private Ancillary Fund?

A Private Ancillary Fund (PAF) is a type of charitable trust that enables an individual or family to put aside funds for philanthropic purposes.

The funds within the PAF can be distributed to not-for-profit organisations of your choice over a shorter timeframe or managed over a longer-term basis to create an endowment that will continue in perpetuity. PAFs ultimately provide a link between people who want to give ('donors') and organisations that can receive tax deductible donations.



With our guidance you decide which not-for-profit organisations you would like to support

Gifts to a PAF are generally tax deductible to the donor.

These funds are invested by Morgan Stanley according to an investment strategy

Morgan Stanley provides grant-making support in-line with your philanthropic goals and values

# Why establish a Private Ancillary Fund?



## Provide a strategic approach to giving

Rather than making donations sourced from your personal wealth on an ad-hoc basis, you can allocate funds to a vehicle specifically structured for your giving strategy.



## A way to engage the next generation

A PAF can help share your passion for philanthropy with your family. Establishing a PAF can help you engage and bring together members of your family whilst also increasing social and financial awareness and inspiring future generations.



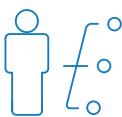
## Maximise tax benefits

Provided your PAF is complying<sup>1</sup>, gifts to your PAF are generally tax deductible to the donor at the time the gift is made. Generally, earnings within a PAF are income tax exempt and franking credits are refundable.



## Provide timeless support

Your PAF provides enduring support to charitable organisations, establishing a legacy that may hold a special significance to you, or to honor a loved one.



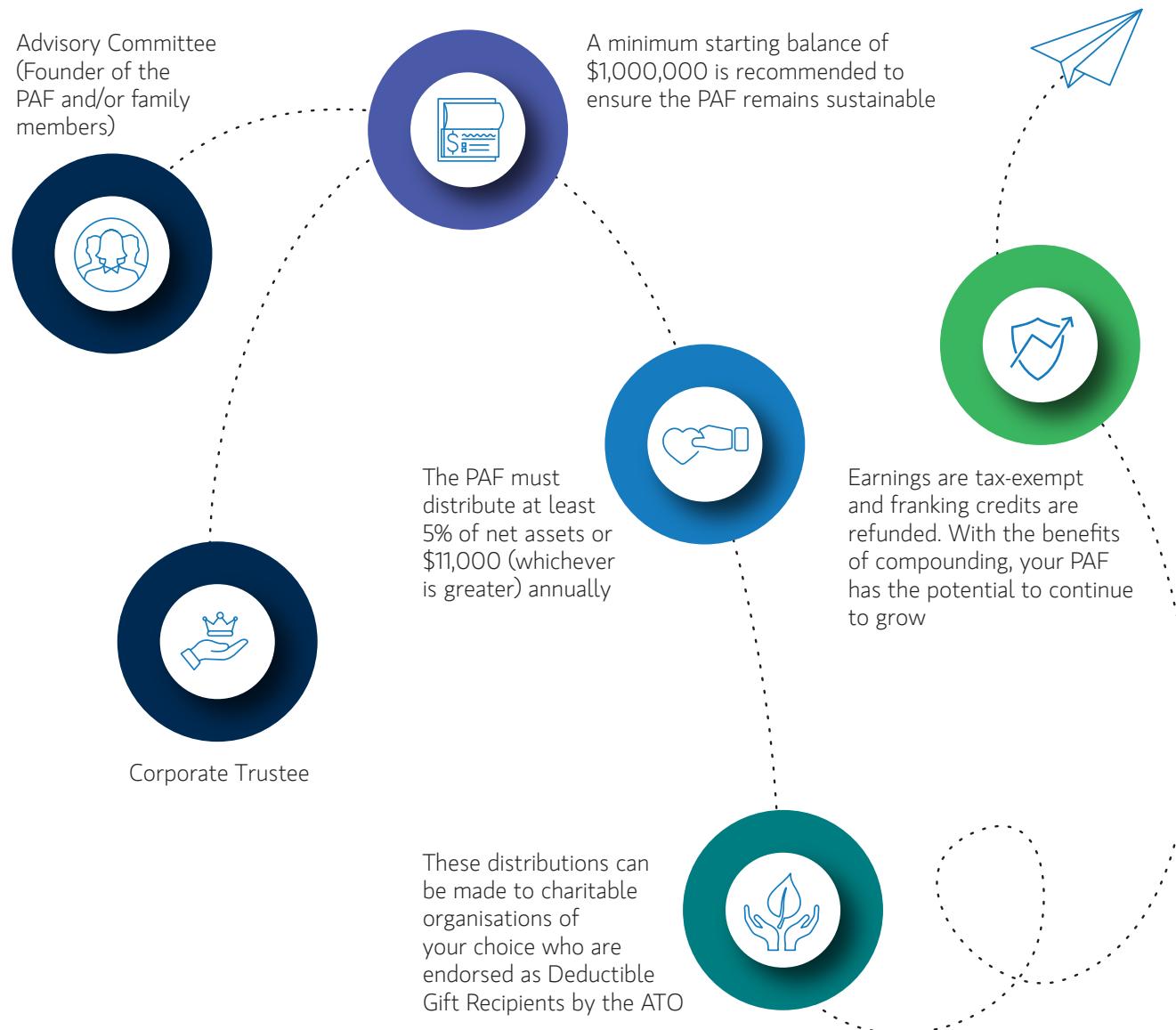
## A flexible approach

You can decide how involved you'd like to be with the management of your PAF. Morgan Stanley manages all the investment and grant-making administration and work with trusted advisers to provide corporate trustee services, so you can choose to focus on the organisations you would like to support.

A PAF provides enduring support to charitable causes, establishing a legacy that may hold special significance to you.

1. A PAF is a very specific trust structure and has a number of operating and compliance requirements. PAFs are regulated by the ACNC and must adhere to the Taxation Administration (Private Ancillary Fund) Guidelines 2019 (Guidelines). In addition, PAFs need to apply for endorsement as a tax concession charity (deductible gift recipient) from the ATO and are subject to the relevant income tax laws and requirements.

## How a PAF works



## Case study: Selling a business

The following example is for illustrative purposes only and clients should seek their own independent tax advice applicable to their specific circumstances.

Adam and Sally recently sold their business and would like to focus on their passion for philanthropy. The sale generated a lump sum of \$10 million, including a capital gain of \$4 million which is eligible for the 50% discount<sup>2</sup>.

Adam and Sally decide to establish a complying PAF with \$2 million from the sale of their business.

Adam and Sally will receive a tax deduction for the donation (which can be spread over a five-year period in certain circumstances). They invest the capital and agree guided by Morgan Stanley's Philanthropy team to distribute a minimum of 5% of the PAF's value to organisations that they are passionate about. The table below illustrates two different scenarios available to Adam and Sally, either choosing not to donate "No Donation" or establishing a PAF to donate "Donation".

|   | No donation  | Donation     |
|---|--------------|--------------|
| Business sales proceeds                 | \$10,000,000 | \$10,000,000 |
| Gross capital gain                      | \$4,000,000  | \$4,000,000  |
| Taxable income after 50% discount       | \$2,000,000  | \$2,000,000  |
| Less: Deductible donation made to a PAF | \$0          | \$2,000,000  |
| Taxable income                          | \$2,000,000  | \$0          |
| Tax payable at 47% <sup>3</sup>         | \$940,000    | \$0          |

### Allocation of sales proceeds

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| Donation to PAF                   | \$0          | \$2,000,000  |
| Tax paid to ATO                   | \$940,000    | \$0          |
| Amount retained by Adam and Sally | \$9,060,000  | \$8,000,000  |
| Total                             | \$10,000,000 | \$10,000,000 |

The chart below demonstrates the potential growth of Adam and Sally's Private Ancillary Fund over a 12-year period based on an initial donation of \$2,000,000 and annual distributions to charities of 5% p.a.



2. The capital gain from the sale of the business is not eligible for any small business capital gains tax concessions.

3. Assessable income from other sources is \$190,000 for the financial year in which the transaction took place. Therefore tax on any capital gains is paid at 47%, including the Medicare Levy (2%). Tax rates may be subject to change.

Total returns are for simulated portfolios and not actual portfolios. Portfolios are constructed from asset class weights as per the latest MSWM Research Strategic Asset Allocation (SAA) Core Balanced profile (see Asset Allocation Insights: Strategic Asset Allocation Review: Part 2: Portfolio Optimization, December 29, 2023) and applied retrospectively to the indices. For asset classes impacted by franking credits, alternative indices gross of franking credits have been used in the respective portfolios. The series assumes no transaction costs, no fees and SAA monthly rebalancing. Simulated portfolios are based on an annual cash outflow as at the 30 June balance each year. Past performance is no guarantee of future results.

# Why partner with Morgan Stanley for your philanthropy?

As a philanthropic client of Morgan Stanley, you can expect the following:



**Leading investment experience** – you are supported by one of the world's strongest investment organisations to help achieve your philanthropic goals. Globally, Morgan Stanley has successfully navigated more than 85 years of market cycles, continually gaining new experiences and perspectives.



**Local expertise** – Morgan Stanley's local Philanthropy team has a deep understanding and knowledge of the not-for-profit sector and can introduce you to organisations that will have maximum impact and align to your values.



**Tap into global expertise** – a key differentiator of our offering is our ability to leverage global philanthropic expertise and insights. This includes access to networks, thought leadership and support from Morgan Stanley's global *Philanthropy Management* team.



**Share a culture of philanthropy** – giving back is a core value that is woven throughout our corporate culture and defines what it means to work at Morgan Stanley. For over 60 years, the Morgan Stanley Foundation has been guided by the passions, talents and hard work of our employees.





**As part of our philanthropic service, the Morgan Stanley philanthropy team and financial advisers can help you:**

- Establish your own philanthropic foundation.
- Articulate your philanthropic vision.
- Design a roadmap of your philanthropic goals.
- Implement a strategy to help ensure your fund grows in value over time.
- Undertake extensive due diligence to assist with the selection of charitable organisations.
- Provide you with introductions to other philanthropic leaders within our extensive network to help you maximise your giving potential.
- Increase family engagement by uniting family members, increasing social awareness and financial acumen and inspire future generations.

# Begin your journey

Wherever you are on your philanthropic journey, Morgan Stanley can help navigate the path and empower you to define, plan, implement, and realise your vision for impact. From finding your cause to creating your own foundation, we are here to help.

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