Investstone
Wealth Management
intelligent investing

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Manager – Philanthropy & Exemptions Units
Personal & Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

We are writing in order to provide a submission regarding the recently released discussion paper 'Improving the integrity of Prescribed Private Funds (PPFs)'.

Before outlining our views towards several of the proposed changes to the legislation we would first like to address one issue from the discussion paper outlined in the following quote.

"The distributions of PPFs should therefore be of a quantity and regularity such that the PPF can be characterised as philanthropic". (Clause 16, page 4)

We do not agree with the idea that the level of distributions from PPFs should be legislated on by the government to ensure that the PPF can be characterised as philanthropic. We believe that any entity should be considered philanthropic regardless of the level of donation received, as all donations are used to benefit humankind.

PPFs are philanthropic

1A Required Distributions

What is an appropriate minimum distribution rate? Why?

We support the idea of a minimum distribution rate applied to PPFs, and believe it would be useful for beneficiaries with their planning and budgeting each year.

However If the contribution rate of 15% is imposed, some PPFs will be unable to continue in the long term. Grants will be high at first, but will progressively reduce, to the point of ceasing altogether.

It is our belief that a distribution rate as high as 15% will discourage investment in the philanthropic sector, because it denies any opportunity for growth. This is directly contrary to the stated Government principals for establishing PPFs which " have been established as a vehicle to encourage private philanthropy," (Principal no.3 . page 3. at the beginning of this discussion paper.)

We feel very strongly that beneficiaries are better off receiving grants, as at present, with the potential to grow over time. PPFs are limited by the success of their investments, but they exist and hopefully grow, so that their beneficiaries also can continue and grow.

Trustees must have the freedom to make a balanced decision, based on the immediate needs of beneficiaries, the long term need for them to grow, and the success of investments, and hence funds available.

If the minimum distribution rate is set below 5% then there is not enough income being passed on to beneficiaries for immediate needs. If the minimum distribution rate is set higher than 5 %, then in a prolonged downturn, the Foundation capital itself may suffer.

We do not see any risk in allowing the capital to grow. Whether it be the longer or the shorter term, all proceeds from the fund must go to genuine deductable gift recipients (DGRs). There is no way that a Trustee can benefit.

Given reasonable success with investments, PPFs may well manage in excess of 5%, as we have in fact done with our distributions to date.

We consider that a 5% distribution rate is appropriate as a minimum figure.

Yours sincerely,

Jamie Nemtsas
Director
Investstone Wealth Management Pty Ltd