

# Endowment Fund Establishment

## Guidance for Professional Advisors

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The following is a guide for professional advisors who have clients intending to make a donation to Hawke's Bay Foundation.

A **Named Endowment Fund** can be established by making a one-off donation of \$25,000 or more; or by committing to make a series of annual donations totalling at least \$25,000 within 10 years. Distributions from a Named Endowment Fund will begin once the fund reaches \$25,000. Privileges of a Name Endowment Fund include:

- Donor can specify which charities or charitable purposes receive the annual distributions from their Named Fund.
- Public acknowledgement of the donation (if desired).
- Annual reporting to the donor and his/her descendants.

All Named Endowment Funds need to have a Memorandum of Wishes prepared. A template is attached, and the latest version is available from Hawke's Bay Foundation's website ([www.hawkesbayfoundation.org.nz](http://www.hawkesbayfoundation.org.nz)). Guidance for completing the Memorandum is given below. For large donations (greater than \$200,000) donors can have more flexibility as to the wording of the Memorandum and their level of involvement with distribution decisions.

Note that donations of less than \$25,000 will go into **the Hawke's Bay Foundation Community Impact Fund**. The Trustees of the Foundation can make annual distributions from this Fund for any charitable purpose (or purposes) within the Hawke's Bay region, at the sole discretion of the Trustees. No Memorandum of Wishes is required for donations to Hawke's Bay Foundation's Community Impact Fund. However, the notes below regarding Will clauses and donations from a Family Trust may be helpful.

The Foundation will acknowledge all donations received and send the donor a Tax Receipt.

*Professional advisors can either complete the Memorandum of Wishes Form with their client themselves, OR contact the Hawke's Bay Foundation and one of our team will meet with your client to finalise the details of the donation.*

The following guidelines are provided for your information if you are assisting your client, please:

### A. COMPLETE THE "MEMORANDUM OF WISHES" FORM

1. Include the client's contact details and the name of the Named Fund (this could be the Donor's name, or something else chosen by the Donor).

### 2. Intended Beneficiaries (section 3)

- i. These beneficiaries must operate for a charitable purpose as recognised by the Charities Commission and the Inland Revenue Department. If your client nominates a charity that is

nationwide but wishes their distributions to be used in the local region, this must be specified.

- ii. Your client may wish to specify several charities, e.g. 25% to ABC school, 25% to XYZ charity and 50% to be distributed to any charitable purpose (or purposes) within the Hawke's Bay area at the discretion of the Trustees of the Foundation.
- iii. If your client wishes all of their annual distribution to be at the Trustees' discretion, then write 100% in section 3a.

### **3. Donation Value** (section 4)

Donors can make a lump-sum contribution now, contribute to their fund over their lifetime, and/or leave a bequest in their will or make a distribution from a family trust. Please specify how the donation(s) will be made.

**4. Establishment Donation** (section 5) Hawke's Bay Foundation invites donors to make an establishment donation (\$5,000 is suggested as a guide) towards its operating expenses. Donors may choose to pay this at the time of establishing their fund, pay say \$1,000 annually for 5 years, or it can be paid at the time the Foundation receives the funds (eg: in the case of a bequest). Establishment donations during a donor's lifetime are eligible for a 33.3% income tax credit (up to the value of the donor's taxable income).

### **5. Authorisation for Name Disclosure** (section 8)

It can be very encouraging for people to see donors listed whom they know and respect. However, Hawke's Bay Foundation appreciates that some donors may prefer anonymity and will only list names where we have been given authority to do so.

Once the Memorandum of Wishes Form has been completed and signed by your client please post to Hawke's Bay Foundation, P.O. Box 11014, Hastings, 4158 (or email to [info@hawkesbayfoundation.org.nz](mailto:info@hawkesbayfoundation.org.nz)) for our records. Hawke's Bay Foundation will then make personal contact with your client, to acknowledge their generosity.

## **B. AMEND YOUR CLIENT'S WILL**

If your client wishes to leave a bequest (as part of a named endowment, or as a donation to the Community Impact Fund) in their will, please see the Suggested Will Clauses (attached and provided on the Hawke's Bay Foundation website [www.hawkesbayfoundation.org.nz](http://www.hawkesbayfoundation.org.nz)), to determine the appropriate clause for your client's situation.

## **C. FUNDS BEING DONATED FROM A TRUST**

If your client's Hawke's Bay Foundation donation is to be provided from a client's Trust, you may need to add a Memorandum of Wishes to the instructions. See the Suggested Clauses for Family Trusts (attached and provided on the Hawke's Bay Foundation website [www.hawkesbayfouondation.org.nz](http://www.hawkesbayfouondation.org.nz)) to determine the appropriate clause for your client's situation.

**FOR FURTHER INFORMATION** Please do not hesitate to contact the Foundation's Team should you have any questions: Linda Calder [linda@hawkesbayfoundation.org.nz](mailto:linda@hawkesbayfoundation.org.nz) or Bev Penny [bev@hawkesbayfoundation.org.nz](mailto:bev@hawkesbayfoundation.org.nz)