

Guidance notes for the establishment of a Southland Foundation Named Endowment Fund



SOUTHLAND
FOUNDATION

A Named Endowment Fund is a personalised fund which may be set up by a donor if donating \$100,000 or more. Distributions are made in perpetuity from the investment returns of this fund to charities or causes chosen by the donor.

Complete the Named Endowment Fund Memorandum of Wishes form.

1. Include all contact details (section 1).
2. Name of Endowment Fund (section 2) – often donors will use their own names, but some may choose to set it up as a memorial fund for a family member or friend, or in the name of a family trust.
3. Donation Amount (section 3)
 - a. Please indicate the amount of the donation you wish to make.
4. Charitable Purpose (section 4)
 - a. Investment returns from this Fund are directed to the charities or causes that you have selected. The Southland Foundation Distributions Committee will review this on an annual basis.
 - b. Selected recipients must operate for a charitable purpose in Southland.
 - c. If several charities are chosen (sections 4a & 4b), please use percentages to show the allocation of distributions, for example: 25% to Charity A, 25% to Cause B, and 50% for any charitable purpose in the Southland Impact Fund.
 - d. It is good to limit the number of charities or causes selected so as not to dilute the impact of the distribution made and ensure it is administratively simple.
 - e. Another approach may be to indicate an area of interest rather than a specific charity to ensure your fund continues to support those targeted causes in perpetuity. For example, youth development, environment, or animal welfare. See the Foundation website for other examples currently supported by the Southland Foundation donors.
 - f. If you wish that all distributions from your fund can be allocated to the Foundation for any charitable purpose in the Southland region, then write 100% in section 4a. This will then be distributed to causes that are targeted by the Southland Foundation.
5. Establishment Donations (section 5) – are voluntary one-off donations to assist with setting up this fund, along with supporting the ongoing operating and fund management expenses.
 - a. If this donation is paid upon establishment, it could qualify for a tax credit of 33.33%. The Foundation will issue a tax receipt for any donation.
 - b. If this donation is a gift in the donor's will, it will need to be explicitly outlined and provided for.
6. Ongoing Reporting (section 6) – an annual report outlining the investment income earned and distributions made is available to whoever you wish to receive this. This donation represents an investment in securing a donor's enduring legacy.

- a. If your fund is established now, reports will be forwarded to the recipients you indicate in the first box.
 - b. If your fund establishment is a gift in your will, or you wish recipients to receive reports in the future, please nominate who you would like the Foundation to send reports to by filling in the second box.
7. Authorisation for Name Disclosure (section 7) – Name disclosure is your choice and your wishes will be fully respected by the Southland Foundation. While being able to list our donors in various ways may help to encourage support from the wider Southland Community, or honour the founder of the Named Fund, the Foundation will only identify names if given the authority to do so.
- a. Section 7 of the form offers various options for you to select to let us know your preference.
 - b. If you have any concerns regarding name disclosure, please discuss with your professional advisor, or contact the Southland Foundation for a confidential discussion.
 - c. The Southland Foundation operates a strict privacy policy to ensure your wishes are met.
8. Foundation Administration Fee (section 8 n.) - The Foundation will apply an amount each year toward the Foundation's operating expenses. At this time the annual amount is set at 1.8% of the capital in the Fund. The fees help cover the costs associated with the external management of funds and fund distribution. While the Foundation acknowledges the importance of running a lean operation it is important to ensure the Foundation can serve its donors and the Southland community effectively for years to come.
9. On completion of the form (section 9) – this information can now be dealt with in two ways:
- a. The form can be retained by your professional adviser and be forwarded to the Southland Foundation when stipulated by you to do so.
 - b. Or a copy of the form can be forwarded to the Southland Foundation now by post or email for our records. If permitted to do so, the Foundation will contact the donor to acknowledge their gift and be available to discuss their donation further as required. This contact helps to ensure the intentions and wishes of the donors are fully understood.
 - c. If you have any further questions regarding the formation of your fund, please do not hesitate to reach out to us directly. We guarantee that any communication will be kept confidential.

Information in relation to Bequests

1. Amendments of Wills

If this is a bequest donation, the process of establishing a Named Endowment Fund with the Southland Foundation is not complete until provision has been made in the donor's will.

A minimum of \$100,000 is required to set up a Named Endowment Fund. The following wording is suggested for assistance:

"I give (specified dollar amount or percentage of residual) to the Southland Foundation, to be paid into the (name of their Named Endowment Fund) which I/we have established, so that it may be dealt with by the trustees of the Foundation in accordance with the terms of that fund."

2. In the Case of Funds Being Donated from a Trust

If the Named Endowment Fund is to be provided from a Trust, a Memorandum of Wishes for the Trust will need to be completed or amended to reflect this.

A minimum of \$100,000 is required to set up a Named Endowment Fund. The following wording is suggested for assistance.

"After we have both died, it is our wish that you pay or transfer (specified dollar amount from or percentage of) the Trust's net assets to the Southland Foundation, to be held in the (name of the Named Endowment Fund) which we have established, so that it may be dealt with by the Trustees of the Foundation in accordance with the terms of that Fund."

How an Invested Endowment Fund Works

2003 - The Edna Brown Fund established, giving to healthcare causes locally



First established with a fund balance of \$67,200

2023 - After 20 years



\$93,252 Fund balance + \$75,839 Grants distributed

2053* - After 50 years



\$134,247 Fund balance + \$210,030 Grants distributed

* Estimated growth rate of 6.5% for future years and an annual distribution of 4%
Thank you to Acorn Foundation for this real example of a live invested endowment fund.

Contact details for Southland Foundation

PO Box 1298, Invercargill 9840

Sarah Hannan, Chief Executive – 021 444 929 – sarah@soulandfoundation.org.nz

Rachel Cockburn, Development Manager – 0274 952 954 – rachel@southlandfoundation.org.nz

28 March 2024