

Philanthropy Letter



FONDATION
DE LUXEMBOURG

Philanthropy in action

‘With a generation of younger folks who have thrived on the success of their companies, there is a big opportunity for many of us to give back earlier in our lifetime and see the impact of our philanthropic efforts.’

Mark Zuckerberg

A new generation of young philanthropists with plenty of talent, new ideas and passions is on the rise. How are these younger generations, such as the millenium generation looking at philanthropy? What are their profiles and attitudes and how will this influence local communities and the global issues over the next decades? Searching for answers to these questions, we were surprised to discover a more positive and engaged approach to philanthropy within the next generation.

As Amy Clarke from Charities Aid Foundation highlights in her article, for the next generation, philanthropy is a lifestyle. In her underlying research, she has identified the major behavioral characteristics of this new generation, which she describes as more impact-driven and strategic in their approach, while at the same time involving themselves personally. They want to develop relationships with the causes they support.

To illustrate the profile of a young philanthropist and social entrepreneur, we interviewed Sofie Foets, who runs weekend schools to help young children from disadvantaged neighborhoods in Brussels. In the interview, she shares her personal experience and achievements through this recently created association in Belgium.

In Luxembourg, the new draft bill for private foundations is expected to be voted in Parliament during the autumn. We asked Michel Bulach, Partner of the Wildgen law firm to sort out the differences between this new statute and the Luxembourg philanthropic foundation.

We wish you a pleasant reading.

Tonika Hirdman
Director General



2 Next Generation Philanthropists:
Who are they and what will they do?
4 « Apprendre, c'est partager. »
Interview avec Sofie Foets, jeune
philanthrope et entrepreneur

6 Comparison between the forthcoming
private wealth foundation and the
Luxembourg philanthropic foundation
8 Key decision makers' view on the role for
philanthropy in the financial sector

Next Generation Philanthropists: Who are they and what will they do?



Amy Clarke, Charities Aid Foundation

Amy joined CAF in October 2012 as head of private clients and has a vast experience in sustainable business, corporate social responsibility and social enterprise. Prior to joining CAF, she spent nine years as a management consultant most notably with PwC and EY and has held several senior positions including building & heading up corporate responsibility functions at Bank of America, Merrill Lynch and Microsoft.

In my profession, there are a couple of debates that have been underway for a few years now related to the next generation. “Who are the ‘next gen’ and how will they change philanthropy and social investment? What will the transfer of wealth look like between the generations?” My recent research ‘Future Stars of Philanthropy’ aims to better understand behaviours, aspirations and to ruminate on what we think the future of philanthropy might look like.

Some of today’s concerns among charities range from 1) the worry that “Gen X”, “Gen Y” or “Millennial” generations will be tainted by the transfer of the vast sums of wealth to them and be less concerned with philanthropy to 2) the concern that the new generation of philanthropists will favour causes and platforms that their friends are talking about on social media and that in the rush to join these social movements neglect some of the more traditional and tried and tested campaigns and programmes of activity.

However, the Future Stars of Philanthropy research points to a more positive and engaged type of philanthropy.

One where the next generation are rolling up their sleeves and immersing themselves in their philanthropy, whilst taking guidance and counsel from more seasoned and experienced philanthropists.

A type of philanthropy that builds on the legacy of tried, tested and traditional and fuses it with innovation, creativity and a more professional approach. For the next generation, philanthropy is not necessarily something you do when you have made money, nor is it a bolt-on to business as usual. It’s a lifestyle. A way of living. And it’s this type of engagement that bodes incredibly well for the future of philanthropy.

So, what do we really know about this next generation of philanthropists? Our research has identified four major behavioural characteristics:

I. Networked: new generation philanthropists are far more inclined to take advice and solicit input from friends,

family, peers and others. They will surround themselves with a support network they believe is credible and authentic (i.e. followers of the ‘faith’) and expect to be treated as equals.

II. Impact-Driven: Next gen are highly focused on impact. They are information hungry and will seek out as much information about a ‘problem’ before making a decision. They will engage in deep and meaningful conversations, and expect clear targets to be agreed from the outset and regular evaluation to assess impact and success.

III. Hands-On: ‘Sweat equity’ is seen as major pre-requisite for the next gen - they want to become involved, and recognising that strategic social change takes time, they are willing to invest significant amounts of time and effort across the philanthropic ‘board’ to ensure that the results achieved meet the expectations that were set. Next gen will be involved in their philanthropy - from allocating time and other non financial resources to establishing their own charitable vehicles should they feel there isn’t a neat ‘fit’ with an existing charity and their aspirations.

IV. Integration: Many next gen donors are looking to integrate their values and priorities across all aspects of their lives, from their giving and investing, to their work, volunteering, and family lives. They will look to advisors for wise counsel on how best to accomplish this “all-in” approach to philanthropy. Recent research we



conducted with Scorpio Partnership polled 1,005 of the UK's wealthy. With an average wealth level of GBP 7.3 million, the aim of the research was not to get a broad view of giving trends in the wider population, but rather a focused snapshot of what is happening among those with sufficient disposable income to make strategic decisions about how they deploy their philanthropic capital. The research highlights that the younger wealthy demographic (under 40) are widely engaging in a range of investment approaches that aim to generate a positive social return and are far more engaged than their older counterparts.

From another angle, we also know that families are increasingly concerned about the impact of wealth on their children - the 'toxic' effect of too much

money - and are looking at philanthropy and social investment as a means by which they can teach their children to have a positive, less narcotic relationship with money. Succession planning is seeing a wholesale increase in the appetite for family foundations and legacies and children are being co-opted into the conversations from a young age. From both ends of the philanthropic spectrum, we see strategic and considered approaches to both managing the wealth and deploying the philanthropic platforms. So, whatever your view or concern about the next generation of philanthropists, there is reason to be excited by their potential, especially given the volume of capital being passed down and the pace of innovation we're currently witnessing in the social sector globally. The future is bright and in safe hands!



“For the next generation, philanthropy is not necessarily something you do when you have made money, nor is it a bolt-on to business as usual.

It's a lifestyle. A way of living. And it's this type of engagement that bodes incredibly well for the future of philanthropy.”

« Apprendre, c'est partager. »

Interview avec Sofie Foets, jeune philanthrope et entrepreneur, sur les raisons de son engagement social à travers de Toekomst-ATELIERdelAvenir



Sofie Foets

Sofie Foets est la fondatrice et directrice de ToekomstATELIERdelAvenir (TADA) à Bruxelles. Après avoir travaillé plusieurs années au Parlement Européen, à l'âge de 30 ans, Sofie a décidé de changer le cours de sa vie professionnelle pour aider les jeunes des quartiers défavorisés à Bruxelles. TADA met les élèves en contact avec des personnes inspirantes de différents secteurs professionnels afin de stimuler leur curiosité, leur donnant ainsi l'envie d'apprendre, d'identifier et de développer leurs talents ainsi que d'élargir leurs horizons.

Qu'est ce qui vous a inspiré à créer ToekomstATELIERdelAvenir ?
Quelles sont ses activités ?

Tout cela part d'une rencontre qui aurait pu paraître anodine mais qui a finalement changé le cours de ma vie. A ce moment je travaillais au Parlement Européen à Bruxelles et j'ai rencontré Heleen Terwijn, fondatrice d'IMC Weekendschool (10 écoles dans 7 villes aux Pays-Bas), qui m'a expliqué

son travail et son projet. Venant moi-même d'une famille avec un esprit d'entrepreneur, cette idée m'a tout de suite séduite. J'ai donc décidé de collaborer avec Heleen en m'inspirant sur le modèle de IMC Weekendschool dans le but de lancer ce type d'initiative dans la région bruxelloise. La commune de Saint-Josse à Bruxelles a été choisie pour l'ouverture de la première antenne de TADA en raison de son grand taux de chômage chez les jeunes et du taux d'abandon scolaire alarmant.

Créée ainsi en 2012 à Bruxelles, cette association se veut être une école de la société, un endroit dans lequel des enfants issus de quartiers défavorisés âgés de 10 à 14 ans peuvent découvrir les différents métiers qui existent autour d'eux. Cette découverte s'opère via des rencontres avec des profession-

nels qui ont atteint leurs rêves et qui exercent ces métiers avec passion.

Le concept est simple : chaque samedi de l'année scolaire, et ce pendant 3 ans, des enfants issus de milieux socio économiquement défavorisés apprennent, via des leçons interactives, les bases d'un grand nombre de métiers et de domaines qui composent la société. Ce ne sont pas des professeurs qui viennent donner les leçons mais des professionnels passionnés issus de ces métiers, le tout de manière bénévole.

Comment s'est déroulé le début et quels obstacles avez vous rencontré ?

Un des plus grands challenges était de rassembler les fonds nécessaires qui permettaient le lancement de



Toekomst-ATELIERdelAvenir, Découverte de la médecine

la nouvelle structure. Aujourd'hui, deux années plus tard, nous sommes quasi-entièrement soutenu par des entreprises et des fonds provenant du secteur privé.

C'est la CVC Capital Partners Foundation, abritée sous l'égide de la Fondation de Luxembourg, qui m'a permis de me lancer de la meilleure des manières. CVC avait déjà une bonne expérience à travers leur soutien à IMC Weekendschool aux Pays-Bas et ils étaient prêts à se lancer dans ce nouveau projet à Bruxelles. Ce soutien ne se limitait pas à une aide financière, le Managing Partner de CVC en Belgique, Geert Duyck siège également au conseil d'administration de TADA.

Au delà, nous avons aussi trouvé d'autres partenaires qui offrent soit un soutien au niveau financier, soit matériel ou pour la recherche d'intervenants. Nos partenaires sont très importants au vu des projets d'expansion de notre action. En effet, je souhaite qu'un maximum d'enfants puisse participer à ce projet le plus vite possible. Pour atteindre cet objectif, nous sommes constamment à la recherche de nouveaux partenaires désirant s'impliquer à nos côtés.

Quel autre type de soutien avez-vous eu ?

Dès le début, nous avons travaillé en pleine collaboration avec les écoles de Saint-Josse ainsi qu'avec les enseignants qui témoignent que les rencontres organisées avec des professionnels de haut niveau boostent l'appétit de découverte des enfants. Les enfants comprennent également qu'ils peuvent façonner leur avenir s'ils s'en don-



Toekomst-ATELIERdelAvenir, Simulation d'un procès

nent les moyens, notamment par les études. Ils oublient qu'ils sont issus de milieux peu favorisés car ils prennent confiance en eux et ne doutent plus du fait qu'ils peuvent, eux aussi, exercer le travail de leurs rêves un jour.

Pouvez-vous partager les premiers résultats ?

Aujourd'hui, 100 enfants bénéficient de cette expérience unique chaque samedi. En septembre 2014, ce nombre sera porté à 150. Il y a un besoin réel pour ce type d'initiatives à Bruxelles : les parents et les écoles n'ont pas toujours le temps d'aborder notre société et les métiers qui la composent en profondeur. Nous offrons aux enfants la possibilité de s'engager dans la vie active tout en étant motivés et bien informés.

En ce qui concerne les résultats concrets de cette action sur les enfants et leur entourage, ils sont très positifs. Nous avons un projet de mettre sur pieds une étude scientifique en collaboration avec une université afin

de pouvoir mesurer plus précisément les effets réels de son action sur les enfants et leur environnement. Ce type d'études a été réalisé par IMC Weekendschool – qui travaille avec 1000 enfants répartis dans 7 villes aux Pays-Bas – et a donné des résultats très positifs.

Selon vous, que peut-il être fait pour motiver plus de jeunes à se lancer dans le domaine social ?

C'est une question difficile. Je pense que l'entrepreneuriat en générale n'est pas très populaire chez la jeunesse d'aujourd'hui, vu les risques et la situation économique actuelle en Belgique. L'entrepreneuriat sociale est encore une étape plus loin et demande beaucoup de courage personnelle. Et c'est vrai, faire avancer et progresser une initiative telle que celle-ci sur le long terme n'est pas toujours une chose aisée. Ce qui me motive personnellement, c'est de voir, chaque samedi après-midi, les sourires rayonner sur les visages d'enfants inspirés, curieux et motivés. Ceci me pousse à continuer notre action.

Comparison between the forthcoming private wealth foundation and the philanthropic foundation in Luxembourg



Michel Bulach, Wildgen
Partners in Law

Michel Bulach, Partner, heads the Banking & Finance Practice Group at Wildgen. Michel has been a member of the Luxembourg Bar since 2000, and was promoted to Partner at Wildgen in 2005. He holds a Master's degree in Business Law, awarded by the University of Nancy (France), and a Master's of Law from the University of East Anglia, Norwich (England).

Many years after the introduction of the Philanthropic Foundation¹, the draft bill n°6595 dated July 22nd, 2013 presents the private wealth foundation (the "Private Foundation"). Although the two vehicles share the same name of foundation, they actually serve very different purposes, which result in two specific set of distinct rules on their organization and legal framework.

This article aims therefore at differentiating the respective characteristics of each kind of foundation and highlighting their compatibility.

Different purpose and different beneficiaries

According to the Draft Bill, the Private Foundation is a family estate planning vehicle: it principally aims at completing the range of wealth management instruments already in force.

This clearly differs from the Philanthropic Foundation, which serves a public interest, such as social, educational or charitable aim.

As a consequence, a Philanthropic Foundation is not allowed to transfer assets to specific persons or to allocate them back to the founders. It is solely allowed to allocate its assets to the implementation of the philanthropic purpose for which it was founded, or, in case of liquidation, to distribute them to another Philanthropic Foundation. In the contrary, managing and transferring assets to specific persons is exactly what a Private Foundation does.

There might sometimes be a tiny line between the two, but the distinction between private benefit and general purposes should avoid any confusion. As an example concerning the Private Foundation, we may mention a founder who wants to financially support a family member with a rare illness including after the founders' death. In that case, the founder thus supports a specific beneficiary. In the same context, where the founder wants to help and financially support people suffering from that rare illness **in general**, then the Philanthropic Foundation is the appropriate vehicle.

Conditions at incorporation

As with most other legal entities, the incorporation of the foundations is subject to an authentic act², i.e. enacted in front of a notary.

Furthermore, whereas a Private Foundation may be established for a limited or unlimited duration, the Philanthropic Foundation is always set up for an unlimited period (with the exception of foundations set up under the aegis of an umbrella foundation, which can also be established for a limited duration).

Moreover a difference exists in terms of contribution. A Private Foundation needs a minimal capital of 50.000 EUR. Such a requirement is currently not necessary for a Philanthropic Foundation, although its initial capital shall be in line with its goals. Besides, while a Private Foundation may detain cash or assets in kind, both foundations may detain movable or immovable assets, but the philanthropic vehicle is limited to holding immovable assets only for the purpose of its activity.

Allocation of economic rights

A Private Foundation is able to issue certificates to third parties, which give them a right to obtain economic benefits from the foundation. The particular aim is to separate the economic ownership of the assets (entrusted to the holders of the certificates) from the legal ownership of the assets (retained by the Private Foundation).

¹ Law of 21 April 1928 on non-profit associations and foundations (the "1928 Law")

² Testament as well for philanthropic foundations (article 27 of the 1928 Law)

Since the Philanthropic Foundation has however a non-profit making purpose, certificates may not be issued and all income generated by its assets shall remain within the Philanthropic Foundation to serve its public goal.

Privacy

The fact that the Private Foundation is a family estate planning instrument, while the Philanthropic Foundation has a public interest purpose has an influence on the respective privacy or transparency of the two vehicles.

Fiscal point of view

The tax regime of a philanthropic vehicle is very advantageous since it is exempted from paying taxes and gifts made to it entitle donors to a tax rebate. This is not the case for the Private Foundation, which should not be considered as a tax free entity or as a tax planning tool. It is subject to corporate income tax on its profit though it benefits from certain tax advantages available to other forms of companies.

Are both foundations compatible?

In order to examine the compatibility between the two types of foundations, the example on supporting a disabled person above could help. It could be that the founder of a Private Foundation securing the financial assistance to a disabled person would like that the foundation provides ancillary contributions to a Philanthropic Foundation that serves general interests in the context of the same disability or rare illness, or that after the death of the disabled person so supported, the remaining assets of the Private Foundation are allocated to such a Philanthropic Foundation.

In fact, the Private Foundation can allocate a portion of its assets or profits to a Philanthropic Foundation or be the founder of a Philanthropic Founda-

tion. The combination is possible, and it is foreseen under the Draft Bill.

Nevertheless, the tax issue is problematical. In the current proposal the Private Foundation would likely have to pay, depending on the case at hand, a donation right or a proportional registration duty amounting up to 40% of the value of the assets allocated to a Philanthropic Foundation. In addition, it would not benefit from the favourable tax treatment that would otherwise be

available to the founder in case of a direct donation made by him to such a Philanthropic Foundation.

To summarize, both structures serve a purpose in the Luxembourg financial market, depending on the aim. A Private Foundation is most suitable for the management and administration of a family estate, whereas a Philanthropic Foundation would be the preferred structure in order to pursue in the long-term a charitable aim.

Private Foundation	Philanthropic Foundation
Purpose of managing and administering family assets for the benefit of one or more beneficiaries or for the benefit of one or more goals	Philanthropic / social / religious aim General interest
Not submitted to the control of the Ministry of Justice – not regulated	Supervised by the Ministry of Justice
In the interest of one or several beneficiaries or for one or more purposes other than those reserved to the Philanthropic Foundation	Non-profit purpose only
Subject to corporate income tax, tax advantages	No taxation
Contributions from a limited group of persons	Contributions from any individual or legal entity
Allocations of certain economic rights to third parties (certificates) – possibility to retransfer assets to the founder	No allocation of assets to specific persons or back to the founder(s)
Limited / unlimited duration	Unlimited duration
Minimum contribution EUR 50,000 – cash or kind / movable or immovable assets	Currently no requirement of a minimal contribution, but shall be in line with its corporate object. Contributions in cash or kind / hold immovable property only for the purpose of its activities
Legal personality as from the authentic act	Legal personality when statutes are approved by grand-ducal decree
No requirements to file annual accounts nor to publish them	Obligation to file annual accounts with the Luxembourg Trade and Companies Register

Is there a role for philanthropy in the financial sector?

Nicolas Mackel
CEO Luxembourg for Finance (LFF)



Financial centres can act as a force for social progress. As a successful financial centre with a major international dimension, Luxembourg has an important role to play in taking the responsibility to contribute to a sustainable industry and even more to a sustainable society. Many Luxembourg banks are very active in philanthropy and have set up foundations dedicated to local or international projects. They also offer socially responsible investing like environmental or impact investing tools to their

clients. Obviously, those products can sometimes offer less monetary profit to the investor, but they are an opportunity to combine both investments and responsible behaviour. Private banking clients of a financial centre like Luxembourg also very often have charitable ambitions, which they can more easily fulfill through institutions like the *Fondation de Luxembourg*. At the end of the day, money in philanthropy is critical but a financial centre can also bring other assets, like expertise in financial services. The transfer of knowledge might be even more responsible than giving money. Because this is what philanthropy is all about – responsibility.

Yves Maas
Chairman of the Luxembourg Bankers' Association (ABBL)



Many wealthy individuals and companies have rediscovered what it means to give something back to society, to let others partake in their success. It is no coincidence that the Giving Pledge, which encourages the wealthiest people in the world to commit to donate 50% or more of their wealth to philanthropic causes, has seen the light of day in the aftermath of the financial crisis.

Illustrating this changing mind-set, recent research has shown that the wealthy increasingly want to be more closely engaged with the philanthropic causes they support. The trend is thus clearly towards a more strategic approach to giving: donors want to know the specific and measurable impact their donation will bring to their philanthropic cause.

As the trusted advisers of wealthy individuals, private bankers and wealth managers play a central role in assisting their clients in their philanthropic endeavours. For the Luxembourg private banking industry, having an independent centre

of expertise like the *Fondation de Luxembourg*, which assists donors in structuring, developing and – *importantly* – monitoring their philanthropic projects, is thus a real asset as well as an important differentiating factor for the financial centre.

The unique value proposition of Luxembourg private banking is our ability to provide one-stop shop solutions tailored to the needs of international clients, ranging from investment advice to wealth structuring to bancassurance and succession planning. Philanthropy is an important part of this comprehensive Luxembourg private banking toolkit. Private bankers help their clients to protect, develop and transmit their wealth. You could say that “long-term” and “sustainability” are our core business.

Philanthropy thus absolutely plays a role in the financial sector. And I expect that this role will most likely increase in the coming years with a new generation of “hands-on” private banking clients who want to see the measurable impact of their philanthropic commitment.