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focus

The gift that **keeps on giving**

How endowment giving could strengthen the future of New Zealand charities

Currently, New Zealand charities have approximately $25bn of wealth under management. It's estimated that a further $20bn could be left to charities through legacies (wills) by 2050.

What if more of this money could be invested for the long term, rather than spent straight away? Financial modelling suggests if chartable legacies are invested as permanent capital, the wealth of the charitable sector could approximately double by 2050. In the next 50 years annual income generated by charitable endowments could exceed annual donation levels. For charities, this creates an opportunity to build and grow a capital base that funds causes indefinitely. For donors, it's an opportunity to empower the charitable sector to generate and deliver major benefits for New Zealanders into the future. This paper sets out that opportunity, and the practical steps a charity can take to help make it real.

90 YEARS

FORSYTH BARR
INVESTMENT ADVICE

How does it work?

An endowment is money that's invested so it can keep earning income while the original amount remains untouched. When a donor leaves a gift, the base capital is invested and provides an annual return which generates income, potentially indefinitely.

A one-off donation, while valuable, is immediate and usually spent at once.

What could this mean for charitable income over the next 50 years?

If all expected legacies are consistently invested into endowments rather than spent when they are received, annual endowment income, (excluding the underlying capital itself) could exceed $3.5bn a year by 2075 (see figure 1). This amount is far greater than annual one-off donations, which are expected to remain under that level.

For an individual charity, the opportunity is straightforward: the same legacy gift, treated as capital rather than cash, can fund the cause for decades.

A shared opportunity for New Zealand's charitable sector

The modelling above assumes today's gift rate in wills, currently around 1.3% of estates, remains the same. If more New Zealand families treat charitable gifting as a natural part of estate planning, and more charities, not only the largest or best resourced, build the capability to hold and invest permanent capital, the potential impact could be significantly greater.

Even a modest increase in the share of estates leaving a charitable gift, from today's 1.3% to 3%, could significantly expand the pool of funding available to New Zealand's charitable sector over time (see figure 2).

Combined with a greater proportion of legacy gifts being invested as endowment capital, the opportunity becomes even more significant. Financial modelling suggests the annual income generated for New Zealand charities could approximately double over the next 50 years.

This would create a stronger, broader base of permanent charitable capital across the country, built one donor, one gift at a time.

What could this mean for donors?

An endowed gift gives donors the opportunity to create something that lasts well beyond their lifetime. Rather than funding a single project or meeting an immediate need, a gift invested as permanent capital can provide ongoing support for the causes a donor cares about. Taken at scale, donors that leave legacies as permanent capital are contributing to the growth of the charitable wealth of the nation.

What Charities can do

Building an endowment begins long before a legacy gift is received. It starts with how charities engage supporters and the role they invite them to play.

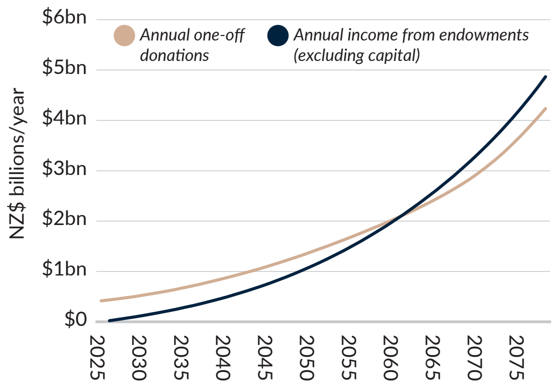
Invite people to build something lasting

New Zealanders are generous, but many respond more positively to an invitation to contribute than to a direct request for support.

It's not a strong part of our culture to ask for help, even when we really need to. This can be a barrier when raising funds, especially for trustees and others in an organisation that are not trained fundraisers. However, it is natural for us to invite people to join us. This more natural part of our culture is a much more comfortable way for us to generate support for a cause, by inviting people to join us to achieve something together.

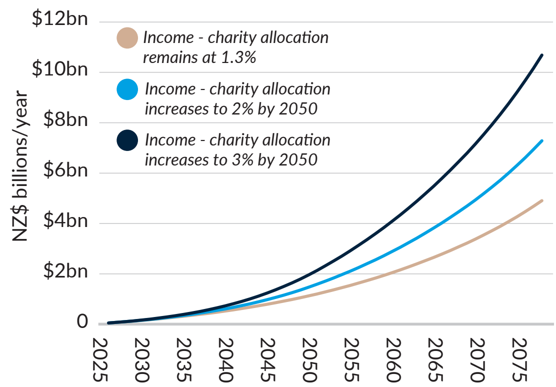
Instead of...	Say...
"We need funding for..."	*"This is what you can help make possible."*
"Please help us..."	*"Join us in building..."*
"Support our appeal"	*"Be part of this"*

FIGURE 1. ENDOWMENT INCOME COULD OVERTAKE ANNUAL DONATIONS IN THE FUTURE



Source: Statistics NZ, Forsyth Barr analysis

FIGURE 2. A GREATER SHARE OF CHARITY LEGACY GIFTS COULD SEE ANNUAL ENDOWMENT INCOMES TOPPING $10BN/YEAR IN COMING GENERATIONS



Source: Statistics NZ, Forsyth Barr analysis

> ***…people often take years to decide to leave a gift in their will …***

Laying the groundwork now to prepare for the gift

Because people often take years to decide to leave a gift in their will, successful charities presume they already know many of the people who will eventually do so. Rather than waiting for a surprise gift, they invest in building strong, long-term relationships with their supporters.

This approach is known as moves management. It means staying in touch over time, helping people understand the charity's work, and inviting them to consider leaving a gift in their will when the time is right. The relationship develops at a pace that suits each person's interests, circumstances, and willingness to give.

AWARENESS
The donor becomes aware of the charity's work and mission

CONNECTION
Personal engagement begins through an invitation, event or introduction

UNDERSTANDING
The donor learns more about the charity's work, building genuine confidence in its impact

CONVERSATION
A dedicated conversation aligns the gift with the donor's own interests and timing

COMMITMENT
A well supported opportunity to commit, followed by consistent stewardship

In practice, this means Trustees, Advisers and staff share a consistent and current view of where each key relationship sits. They use every natural touchpoint, for example, events, communications, an alumni visit, a conversation with a professional Adviser, is an opportunity to move that relationship forward rather than treating each interaction in isolation.

Building organisational readiness

Creating a successful legacy giving programme does not have to happen all at once. Most charities can build the necessary skills and systems over time.

Make it easy for people to leave a gift

Create a clear way for people to express their interest. Make it easy for supporters to tell you they are thinking about leaving a gift in their will.

Build relationships with likely legacy donors. People who have supported your charity faithfully for many years are more likely to leave a gift in their will. Stay in touch with these supporters, thank them for their generosity, and help them understand the difference a future gift could make.

Be clear about how gifts will be used. Explain whether gifts in wills will support the charity's greatest needs, create a lasting endowment, fund a named fund, or support a particular area of work. People are more confident about giving when they understand how their gift will make a difference.

Put the right foundations in place

Check that your organisation is ready. Make sure your governing documents, policies and processes allow you to receive and manage gifts in wills. Donors should also understand how any long-term funds will be looked after and used.

Build investment capability as your funds grow. A permanent fund needs careful investment and good oversight, but you do not need to have everything in place from the start. Charities can begin by placing funds with an experienced organisation and develop their own investment arrangements later, once the fund has grown large enough to make that worthwhile.

You don't have to do it alone

Smaller charities do not need to create their own investment fund or governance structure to offer donors an endowment option. A regional community foundation or a specialist organisation such as The Gift Trust can hold and manage an endowment on a charity's behalf. The fund can carry the charity's name, be professionally invested and independently governed, while providing long-term support for the charity.

For many small and medium-sized charities, this is the simplest and most cost-effective way to offer donors the opportunity to leave a lasting gift, without taking on the cost and complexity of managing permanent capital themselves.

Build confidence with the professionals who get involved later

Legacy planning begins with a person, a couple or a family being inspired by a cause and trusting an organisation to deliver impact. Professional Advisers typically enter the picture later, once a donor has already decided to include a charity in their will, and their role at that point is almost entirely about confidence.

Ensure your documentation stands up. When a lawyer or accountant carries out due diligence on a charity, they are looking for clear governance, a well-run organisation, and a credible explanation for any funds it holds. Under recent changes to the Charities Act, larger charities will be required to report the reasons for their accumulated funds as part of their annual return. Charities that are prepared, by clearly describing their reserves policy and the long-term purpose of any endowment in their annual return and financial statements, make that due diligence straightforward.

Build goodwill with the professional Adviser community. When a donor tells their Adviser they want to include a charity in their will, the Adviser will review the performance of the charity, and it helps if they already know the organisation and regard it positively. Modest, low-key visibility with the local professional community, through occasional updates or invitations to events, can be enough to ensure a positive response when a donor raises the charity's name.

Train trustees and leadership. Legacy and endowment conversations land best when they come from trusted figures within the organisation, whether trustees, the Chief Executive or long-serving staff, not only from fundraising specialists. A Trustee briefing on how to talk about legacy giving can give people the confidence they need.

Keep donors connected. Donors who have committed a gift should see, while they are alive, the impact their eventual gift will help sustain. Consistent reporting back is one of the strongest predictors of a gift being honoured and grown over time, and is an extension of moves management: continuing to invite a committed donor deeper into the relationship, rather than treating their commitment as the end of it.

Long-term planning begins today

The next two decades will reshape the funding landscape for New Zealand's charitable sector. Some organisations will build enduring capital bases that support their work for generations. Others will receive occasional gifts but miss the larger opportunity: to help build a genuinely larger, and more durable, base of charitable capital for New Zealand.

The difference will come down to preparedness, governance strength, donor relationships, and the confidence to offer people a real opportunity to participate in something significant and lasting.

A gift spent once can make a difference today. A gift invested wisely, and given as part of a shared national endeavour, will make a difference for generations.

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

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