

## Shared Giving ( ‘Gedeeld Geven’)

Shared Giving is a new way of giving in the Netherlands introduced in 2011, inspired by the longstanding practice of ‘planned giving’ in the US and Canada. The essence of this way of giving is that the donor retains an interest in the assets that are effectively transferred as a gift to a preferred philanthropic organization.

Translated to the Dutch legal environment, Shared Giving means that a donor makes a gift of the bare ownership of assets whilst retaining the *usufruct* during his or her life with regard to the income of these assets. The assets are ‘shared’ between the donor and the beneficiary philanthropic organization.

Shared Giving is developed and implemented by dr. Ineke A. Koele, a tax lawyer specialist in private clients and charities matters, with ample international experience and author of a PhD on comparative and international tax frameworks of philanthropic organizations.

We are living in a time of *philanthrocapitalism*, where the non-profit and for-profit sector are growing towards each other and the borders between the two are increasingly blurred. In the Netherlands, philanthropy had until rather recently a ‘soft’ connotation in the eye of wealthy families. In order to change this culture, instruments are required that speak the language of successful individuals. Shared Giving is a perfect instrument in this respect, since it focuses on the win-win approach for both donor and philanthropic organization.

The usufruct takes the form of a fixed and guaranteed income during the life of the donor that, added with the tax consequences of the value of the gift, is substantially higher to any other income at the same low level of risk. In addition, the value of the Shared Gift is directly put at the disposal of the beneficiary philanthropic organization.

Shared Giving is functioning through the use of a service charity, *Stichting Gedeeld Geven*, a foundation that operates on behalf of the philanthropic organizations that have instructed Stichting Shared Giving. Stichting Gedeeld Geven reinsures the obligation to pay the usufruct to the donor by the purchase of an annuity linked to the life of the donor and disposes the value of the Shared gift directly to the beneficiary philanthropic organization as chosen by the donor. Stichting Gedeeld Geven takes care of the compliance, determines the uniform policy with regard to Shared Giving and acts on



behalf of all philanthropic organizations collectively. Also, it deals with issues of donors and other family members that might arise.

The combination of a high income (that may be set at the discretion of the donor within certain limits) and the direct gift to the beneficiary philanthropic organization creates a highly attractive instrument of Major Donor fundraising if compared to the traditional gifts and bequests.

In this time with low interest rates, Dutch deemed income tax (of 30% on a deemed 4% income, currently effectuating a tax of approx. 60% of nominal interest), inflation and insecurity as to the solvency of banks, Shared Giving has the opposite features: a high cash flow without investment risks and the guarantee that the funds have a valuable destination in accordance with the public purpose of the beneficiary organization.

According to Dutch present legislation, Shared Giving could not be applied *per se*. Stichting Gedeeld Geven has entered into detailed ruling arrangements with the Dutch tax authorities backed up by the Dutch Ministry of Finance dealing with the valuation of the Shared Gift for tax reasons, the do's and don'ts and self-imposed measures to prevent abuse.

For all philanthropic organizations that qualify as a charity according to Dutch tax definitions, the use of Stichting Gedeeld Geven to raise Shared Gifts is a *plug and play* concept. The website [www.gedeeldgeven.nl](http://www.gedeeldgeven.nl) provides information to the public on the charities working with this concept (associated to the Stichting Gedeeld Geven). Through a secured log-in it will also provide all required information to the associated philanthropic organizations and professional intermediaries to enable them to use Shared Giving: practical calculating tools, checklists, FAQ's and the (compulsory) deed of a Shared Gift. All associated philanthropic organizations are offered a periodic training in the use and application of Shared Giving. Banks, notaries and other professional intermediaries will be trained in the use of Shared Giving as well in order to expand the use of Shared Giving for the benefit of all associated organizations.

Associated philanthropic organizations pay an entrance fee. Apart from that, specific agreements are made on the cost of acquisition and maintenance of Shared Gifts, that are compensated at once with the gifts by Stichting Gedeeld Geven.

During the initial phase, Shared Gifts of at least € 250.000 may be accepted.

For foreign resident charities, that qualify as a charity under Dutch tax laws, the use of Stichting Gedeeld Geven is an easy and cost effective way to enter the Dutch Major Donor market in a sophisticated manner.



To give insight in the effect of the tax consequences of a Shared Gift and the output with regard to the 'net revenue' on the Shared Gift and the concrete gift to the philanthropic organizations, we have put some examples together in a scheme. The underlying presumption is that the donor is subject to 52% income tax; the tax effects are recalculated in a lifetime additional revenue on the assets that are subject to the agreed usufruct guaranteed percentage.

The figures represent the financial consequences of Shared Giving as per 31 December 2011 and are subject to changes in market conditions such as interest and life expectancies. These examples are only illustrative and in not any respect binding in an individual case.

Age, m/v	% usufruct	Net Revenue *	Gift to philanthropic organization **
Male, 67 years	3%	5,7%	€ 164.371
Male, 56 years	4%	5,6%	€ 90.177
Male, 77 years	3%	6,6%	€ 194.286
Male, 77 years	6%	9,7%	€ 136.554
Female, 67 years	5%	6,8%	€ 82.000
Couple, 76 years	5%	7,3%	€ 104.000

\*Net Revenue Shared Gift = total income (annual fixed usufruct income + annual reduction income tax) divided by the Net Gift ( Shared Gift -/- repayment income tax due to deduction of value of the gift) x 100%.

\*\*In the situation where a Shared Gift amounts to € 250.000. Gift to the philanthropic organization is exclusive of the handling and maintenance costs of the Shared Gift, that are borne exclusively by the philanthropic organization.