Response to Senator Smith

I think there's been a bit of a misunderstanding about how philanthropic giving, more particularly than the general charities descriptor, will be adversely affected by this particular initiative. I was just wondering if you could explain to the committee how important the cost of capital is in supporting or encouraging decisions around philanthropy by those people or by those organisations that might have significant funds available to them to donate to charitable and good causes… determine how someone or an organisation is likely to be generous or much less generous in their philanthropic giving.

Submitted by Gabriel Radzyminski on behalf of Future Generation.

The cost of capital for Australian companies is a critical item with respect to the continued payment of franked dividends to their shareholders. A low cost of capital, because of the payment of franked dividends, incentivises Australian companies to manage their capital in an effective and efficient manner in order to generate sustainable profits and reward shareholders through franked dividend payments.

As outlined in Future Generation's submission and based on our experience and knowledge in capital markets and the Australia economy, it is our understanding that, should there be a reduction in the receipt of franked dividend payments in Australia, we believe we will also see a reduction in philanthropic giving. Reducing personal investment income will reduce available capital of investors to donate to their chosen charitable causes.

Investors in Australia are incentivised through the payment of fully franked dividends and being able to pay them has helped Future Generation to establish two funds with over $1 billion under management, allowing us to donate one percent per year to Australian charities.

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