



## Charity in 2021: Peering Through a Crystal Ball

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It is an honour to have been invited to London by the European Association for Philanthropy and Giving to explore what philanthropy might look like in 2021.

I have been asked to look into my crystal ball and infallibly prognosticate to the advisory community gathered today the changes to philanthropy in the coming decade. Of course, if the challenge had been any less daunting, I would have stayed home in Vancouver. Being from Canada, my perspective will reflect my international experience rather than speak exclusively to the situation in England. Being a lawyer, I will refer liberally to legal jurisprudence, but will confine my references to English cases.

My crystal ball foresees a radically changed environment for philanthropy in 2021. As a charity lawyer who has registered over 600 charities during the past three decades and provided tax advice on many hundreds of millions of dollars of gifts, I find the picture I am going to paint quite challenging. It is possible that the term “philanthropic sector” will no longer be in vogue in 2021. However, there will always be people who contribute time and money motivated by the love of mankind, the meaning of philanthropy in the original Greek. In the future it will be important that society nurture and provide an enabling legal environment for these benevolent people rather than simply promote and protect an amorphous “third sector” which is separate and distinct from the state and private sectors.

First: In 2021 I see a philanthropic sector which is struggling because it has increasingly tied its future to revenues based upon voluntary giving induced by tax incentives in an era when massive government debts and deficits are requiring governments to cut back those incentives. There is an ineluctable conflict between governments turning to charities to fund and carry out ever more expensive social programs, and charities turning to governments to fund the fiscal incentives that entice donors to fund what were formally ‘state services’. On March 22, 2011, the Canadian government introduced a federal Budget that reduced the tax benefits of donating flow-through shares to charities. I immediately heard from donors cancelling planned gifts of flow through shares. However, the short term impact of the threat to withdraw tax incentives may be to increase giving. In the United States, Fidelity Investments’ \$5.4 billion Charitable Gift Fund received 25% more in new donations during the first three months of 2011 than it did in the same period last year. In the same time period, the Vanguard Charitable Endowment Program’s receipts were up 60%. These dramatic jumps in giving are likely due to the advisory community in the United States warning donors that if they do not act soon, some of the more generous tax incentives for charitable giving may disappear in the budget negotiations going on between

President Obama and Congress as they seek to reduce the nation's deficit and debt.<sup>1</sup> However, by 2021 any short term stimulus in giving will have long disappeared.

I believe that by 2021 the government in the United States will have introduced significant changes to the tax advantages of private foundations. A government facing default on sovereign debt will turn its jealous attention to the \$824 billion of capital currently held by American charitable foundations of which \$586 billion is held by private foundations.<sup>2</sup> In 2009 another \$31 billion was contributed to American foundations.<sup>3</sup> This results in an immediate loss to the US Treasury of the value of all the tax incentives on gifts of \$31 billion. However, this loss to the Treasury will only benefit society as these endowments totaling \$31 billion trickle out \$1.55 billion per year. In the interim all the capital in charitable foundations has the additional benefit of exemption from tax on all income earned.

Second: In 2021 I see a philanthropic sector in which fiscal incentives are increasingly targeted to encourage gifts for charitable programs that support the state's political objectives. A couple of decades ago it was almost unpatriotic for Canadians to donate to hospitals because the national healthcare program of which Canadians were so proud was funded entirely through taxes. Tax incentives for donations have increased generously since that time. However, the majority of growth in donations has been to hospitals, universities and other institutions that have experienced material reductions, as a proportion of their operating income, in funding from governments. Through a series of even more generous matching grant incentives, the government has effectively co-opted the majority of non-religious charitable giving to priorities insidiously set by the state. The primary losers have been grass roots organizations as well as arts and culture groups.

At some point prior to 2021, donors will realize that they are being bribed with their own tax dollars to voluntarily pay additional taxes for services that can be more efficiently provided by the state. Donors will come to remember that the state does not fund Renaissance Philanthropy<sup>4</sup> enabled by the fourth head in *Pemsel*<sup>5</sup>, being other purposes beneficial to the community. Donors will always give to the visceral charity of the first head, the relief of poverty, and respond generously and compassionately to people in need. They will always want to give to the second head in *Pemsel*, education. However, they will be troubled if they think that their donations to fund excellence in education is enabling the government to cut back state funding. In 2021 donors will realize that the charitable purposes benefiting from government incentives have been reduced back to the purposes of the *Preamble of 1601*<sup>6</sup> which effectively represented the state's agenda for philanthropy<sup>7</sup>. The rich Puritan merchants of the 17<sup>th</sup> century had a religious motivation to co-opt the state's social and educational agenda to advance Christianity in England. Unless the philanthropic sector can promulgate a motivation and agenda for donations which is more compelling than tax incentives, the impressive history of English donors reshaping and advancing English society through philanthropy will not be repeated.

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<sup>1</sup> Investment News <http://www.investmentnews.com/article/20110414/FREE/110419950>

<sup>2</sup> Data base of <http://foundationsearch.com>

<sup>3</sup> Giving USA 2010 <http://www.givingusareports.org>

<sup>4</sup> See Bromley's [paper](#) Religious, Reformation, Remedial and Renaissance Philanthropy first given in Barcelona, Spain in 1993 posted at <http://www.beneficgroup.com/paperpres.php>

<sup>5</sup> *Commissioners for Special Purposes of the Income Tax v Pemsel* [1891] AC 531 (HL)

<sup>6</sup> *Statute of Charitable Uses, 1601*, 43 Elizabeth I, c. 4

<sup>7</sup> See Bromley's [paper](#) 1601 Preamble: The State's Agenda for Charity first given in Brisbane, Australia in 2001 posted at <http://www.beneficgroup.com/paperpres.php>

Third: In 2021 I see a philanthropic sector grappling with what position to take in an acrimonious debate about the role charities should play when the state is unable to provide adequate social services for the poor and disadvantaged. One side will argue that charities should become state funded service providers. Consequently, charities will not want to alienate government funding. The other side will argue that privately funded charities merely make it politically palatable for governments to download social problems on to private funders who already pay taxes. Charities will therefore worry whether private donors will react negatively to a social safety net system that only helps as many needy people as can be funded by the caprice of their *noblesse oblige*. The debate over the responsibilities of the welfare state and “Big Society”, or whatever term governments use for the private funding of social services, is important and necessary. However, it is a debate fraught with many dangers for the philanthropic sector. Charities must avoid both the simplistic enthusiasm of Pollyanna and the doctrinaire dogma of ideologues. If large philanthropic donations are portrayed as a twentieth century secular form of a “Papal Indulgence”<sup>8</sup> for “robber barons”<sup>9</sup>, charities will be drawn into an inflammatory debate reminiscent of the acrimony of the Reformation battles of the sixteenth century. Will a 21<sup>st</sup> century legal doctrine comparable to “superstitious uses” be introduced so the abbeys and monasteries can be dissolved? Will the chantry endowments be expropriated?

This debate will refocus the attention of donors on the respective functions of tax funding and donor funding. If a social, healthcare or educational need is identified as the responsibility of the state that must be provided as a matter of right or entitlement to everyone in the community, donors will realize that the quantum of their donations is not enough to meet the problem. Consequently, they will only fund these programs if they believe that their donation will “make a difference” rather than simply supplement state funding. They will donate to education, healthcare or social programs funded by the state if they believe their donation will make a difference in promoting their own religious agenda or improving ethnic sensitivity or achieving excellence. In 2021, institutions’ appeals for private donations will have to make more sophisticated and nuanced arguments that donor funding is not just displacing tax funding. If donors come to believe that that their philanthropic donations are effectively a voluntarily payment of more taxes, they will remind fundraisers that they already pay a great deal of taxes.

Fourth: In 2021 I see a philanthropic sector in which donors have a very different relationship with the advisory community. Donors will understand that raising tax rates by a point or two is a much cheaper source of funding than paying expensive fundraisers to chase private funders. Donors did not become philanthropists so that every development officer would become their “new best friend”. They became donors because they believed they could innovate and create change. They were not seeking to build a “personal” relationship with fundraisers. Donors will look to the advisory community for advice that is more independent and objective than the fundraising pitches coming from institutions soliciting donations.

Fifth: In 2021 I see a philanthropic sector increasingly riven by class as well as ethnic and religious divisions. Next month the Upper Tribunal will spend a full eight days hearing the Independent School Council’s judicial review application of the Charity Commission’s Guidance as to the meaning of Public Benefit in the

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<sup>8</sup> *Abuses by the Pope in selling and granting Indulgences for the remission of temporal punishment for sins was a rallying point for the Protestant Reformation.*

<sup>9</sup> *A pejorative term used for powerful businessmen who allegedly used questionable business practices to become wealthy and then sanitize their public image by large charitable donations. Frequently used to refer to philanthropists such as Andrew Carnegie and John D. Rockefeller.*

advancement of education. As a foreigner who has watched the debate on the presumption of “public benefit” in education since the first draft bill of the *Charities Act, 2006* was introduced, this appears more like a case of class warfare than a legal battle over the meaning of the Privy Council’s decision in *Re Resch’s Will Trusts*.<sup>10</sup> The more controversial the result of the judicial review and its application by the Charity Commission, the more divisive will be its impact on the philanthropic sector. There is a real danger that “public benefit” in education will be the code word for forcing charities to draw damaging lines in the sand regarding education in the debate of the role of the welfare state.

The “disbenefit” component of the post-2006 definition of “public benefit” will lead to growing divisions in ethnic involvement in the charitable sector. This will become more obvious as the diverse demographic composition of English society becomes more distinct. Mosques in 2021 will not be considered charitable without applying a divisive “disbenefit” test to determine that there are no radical Islamic teachings of “jihad”. The legal meaning of the fourth head of *Pemsel*, “benefit to the community” will become another strain on ethnic participation in the philanthropic sector. The struggle has already begun between the proponents of pluralistic multi-cultural diversity and the advocates of integrative harmony for religious and ethnic minorities in England. Prime Minister David Cameron is presently framing the debate in terms of immigration policy. However, given Lord Simonds’ judgment in the House of Lords in *Williams’ Trustees*<sup>11</sup> that it is not charitable to have a trust for the Welsh in London, one wonders whether courts will hold that it cannot be charitable for Sikh temples to preserve and promote Punjabi language and culture in London. If you have followed the activity of US officials prosecuting Muslims for “anti-terrorism” you will know that their primary legal strategy is to bring charges under immigration law.

Sixth: In 2021 I see a philanthropic sector which no longer includes *Pemsel*’s third head, religion. The *Charities Act, 2006* legislated a statutory requirement that religious charities must be able to positively demonstrate that they “confer an ‘identifiable’ benefit on the public”. Given the decision of the House of Lords<sup>12</sup> that the spiritual benefit flowing to mankind from religious organizations does not fulfill the public benefit requirement because it is not “capable of legal proof” in secular courts, regulators will gradually begin to hold that religious organizations do not meet the public benefit test of being charities.

To date the challenge to public benefit in religion is taking place in the courts and before the Charity Tribunal on quite a different issue. The *Catholic Care*<sup>13</sup> case is the first to find that care providers relying on doctrinally based religious beliefs to “discriminate” on the basis of sexual orientation fail the public benefit test. Within weeks we will know if the appeal will succeed; but I, for one, doubt that the Roman Catholic Church will win this battle in the courts. In my opinion, the courts will necessarily choose to apply legislation such as the European Convention on Human Rights in determining what is public benefit. Until recently, when considering acceptable practices of religion, the courts have defaulted to Holy Scripture. In 2021, the courts will turn to secular legislation. By 2021 the courts may have extrapolated the English Supreme Court’s decision in the *Jews Free School*<sup>14</sup> case on the significance of matrilineal progeny to hold that, in charity law also, Judaism is an ethnic or racial grouping rather than a religion.

<sup>10</sup> *Re Resch’s Will Trusts* [1969] 1 AC 514 (PC)

<sup>11</sup> *Williams’ Trustees v. IRC* [1947] AC 447 (HL)

<sup>12</sup> *Gilmour v. Coats* [1949] 1 All ER 848 (HL)

<sup>13</sup> *Catholic Care v the Charity Commission for England and Wales* [2010] EWHC 520 (Ch)

<sup>14</sup> *R (on the application of E) v The Governing Body of JFS and the Admissions Appeal Panel of JFS and others* [2009] UKSC 15

In Canada I am currently advising a charity which has operated a Christian camp and Bible Conference centre for 80 years client because Canada Revenue Agency (CRA) has proposed revoking its registration. Secular auditors whose professional training is in accountancy have created a new legal test of “*qualitative* religious activities per week” to determine whether a charity is exclusively engaged in “the advancement of religion”. Assessing each hour in an 80 hour week of an operating summer camp, CRA’s missiology experts determined that campers spent only 6 – 16.5 hours a week in activities which qualified as religion under charity law. Obviously, having fun did not count – even if the only way to entice kids to sit through the proselytization which qualified as “advancement of religion” was to provide fun programs the rest of the day. It is the introduction of absurd metrics such as this that ignore the substantial jurisprudence in England on the broad meaning of “advancement” that causes me to be doubtful that religion will be part of charity in 2021. One must also remember that in Australia today religion is not a “public benefit institution” qualifying to receive gifts benefiting from tax incentives.

Seventh: In 2021 I see a philanthropic sector that, as it becomes more divided along ethnic, racial and religious lines, will respond by becoming more inward looking and focused on people helping their own kind. This will become increasingly true if religion is excluded from the charitable sector. While there are complications in the Church of England being excluded from religion because it is an “established” church, this change in charity law and practice is not of primary significance to Anglicans because they have in large measure already left the church. The significance is for Muslim immigrants who are unemployed and unhappy. Effectively living in impoverished social ghettos, they will become more isolated. Islamic donors, including those from outside England, will increasingly fund social, educational and religious programs for this community to the exclusion of the broader population. The change will have comparable impact in Sikh communities and other immigrant communities from the Indian subcontinent. It will also be important to the Asian immigrant community because it has a large component of devoted evangelical Christians. Those of us who have always had charitable giving incentives tend to forget that these communities come from backgrounds that had no such tax incentives. Giving patterns dictated by religion are not dependent upon tax or charity status. Many Sikh temples and Islamic mosques in Vancouver operate entirely outside the legal charitable sector. These religious groups will continue to give and support their ethnic group even if tax incentives are removed.

It will be particularly interesting to watch how the Roman Catholic community responds to these changes in 2021 because that community has a pontiff in Rome who is likely to act aggressively to protect the interests of his church in England, as we are witnessing in the *Catholic Care* case. Religious teaching on the tithe will compel donations to the church irrespective of tax incentives. The Pontiff will be able to “instruct” as to what priority must be given in using those donations for the “faithful” in ways that parallel the power exercised over the allocation of *zakat* donations by Muslim Ayatollahs. It will be interesting to watch the change in the charitable sector as Muslims and Sikhs and others begin to use the courts as proactively as the Jewish community did in the *JFS* case, as the Russian community did litigating the ownership of the Russian Orthodox Cathedral in London<sup>15</sup> and as the Roman Catholics are doing in *Catholic Care*.

Eighth: In 2021 I see a philanthropic sector that is belatedly beginning to come to grips with the fact that the paradigm of international philanthropy changed due to the draconian anti-terrorism provisions aimed at preventing charities from funding terrorism and money laundering legislated in many countries as a consequence

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<sup>15</sup> *Dean v Burne & Ors, Court of Appeal - Chancery Division, [2009] EWHC 1250 (Ch)*

of 9/11. This paradigm change is well on its way to becoming entrenched. However, charities that are not funded by identifiable religious minorities remain oblivious to how much the legal environment of international philanthropy has been transformed. By 2021 it is also possible that regulators will recognize that they should be concerned about radical charity funds flooding into England rather than just worrying about the untraceable funds flowing out of this country. A few weeks ago I was at the World Congress of Muslim Philanthropists in Dubai. I learned that in 2009 Islamic *zakat* funding alone from corporations alone in Saudi Arabia alone was over 17 billion dollars. In the same year the total of all charitable donations from all American corporations was only 14 billion dollars. Not all that *zakat* money is being spent in Saudi Arabia. Nor is it being sent only to Pakistan, Afghanistan and Indonesia, but also to England and Canada. By 2021 I believe that there will also be substantial charitable funding flowing into England from Asia, particularly China.

Ninth: In 2021 I see a philanthropic sector that will have been profoundly changed in its international operations by England's *Bribery Act* which becomes effective July 1 this year. Regulators will gradually come to paraphrase Dorothy in the Wizard of Oz, when she said "Toto, I've a feeling we're not in Kansas anymore." Complying fully with the *Bribery Act* will grind certain charitable activities in many parts of the world where bribery is entrenched to a complete halt.

Finally: In 2021 I see a philanthropic sector that is significantly cut adrift from the rule of law. The legal challenges referred to earlier are extremely expensive and are only carried forward when there is a large amount of property at stake or the charity has the backing of a an institution with very deep pockets. Last night BBC1 broadcast an episode of *See You In Court* in which a small north London mosque tried to sue a large right-wing think tank after they published a report saying the mosque had sold extremist literature. The charity had to abandon the litigation before the court even heard the substantive issue because legal fees had climbed well past half a million pounds. The expenses are becoming so great that litigation is becoming unaffordable for even the regulator. This problem will only become worse with the draconian financial cutbacks that the Charity Commission is experiencing. The courts will become more marginalized as costs of litigation result in tax disputes involving gifts are negotiated rather than brought to court. Similarly, as legal issues such as proving public benefit become more nuanced and complex, the courts will be excluded when they are most needed. The Charity Tribunal is not proving to be any cheaper than going to the High Court.

Part of the problem is that the courts have not always been of great assistance in advancing the law. In Canada, issues of registration, annulment and revocation of registered charities are dealt with in the Federal Court of Appeal. There has never been a case involving revocation or annulment of charitable registration in which a charity has succeeded. There are only three registration cases in which the charities have succeeded. Given the costs and odds against winning, I am the only lawyer who has taken registration cases to the Federal Court of Appeal since 2002. I have done this through a combination of *pro bono* work and finding third parties which will fund the litigation. One of those cases involved asking the court to find that sport was charitable in Canada as it is in England. Leave was granted to the Supreme Court of Canada and the charity failed there. However, in spite of the fact that 8 out of the 9 judges disagreed with the grounds upon which the Federal Court of Appeal refused registration, when the application was refused on other grounds, costs were awarded against the impecunious charity and in favour of the regulator, Canada Revenue Agency. Having personally paid the fees of the barristers hired to argue the application in the Supreme Court of Canada, the award of costs against the charity made the price of seeking to advance the law through the courts that much greater. Given the costs and the results,

Canadian lawyers have effectively abandoned the court as an effective means to bring innovation to a branch of law which is stultified.

There are other changes that time does not allow me to talk about. I can give such an unremittingly contrary view of how I see the philanthropic sector in 2021 because I live nearly 5,000 miles away in Vancouver. By tomorrow morning you will have to chase me 9 and a half hours in a jet across 8 time zones to beat up on me. However, before I leave, I have been asked to provide some advice to the advisory community.

To polish my credentials as a contrarian, I will go back to the originator of Communist ideology, Karl Marx, for an instructional quotation. Karl Marx said "Workers of the world unite; you have nothing to lose but your chains." I believe charities, donors and the advisory community need to unite and look to innovation in philanthropy because they have nothing to lose in abandoning the chains and constraints of the traditional paradigm of charity.

The first task is to re-evaluate the emphasis on tax incentives in charitable donations. Donors, significantly influenced by the advisory community and charities, have become seduced by obtaining maximum fiscal benefit from the state and maximum personal aggrandizement from society. At the same time, they solemnly intone a dyslexic mantra that tax does not influence charitable giving. The challenge will be to find the motivating factors that are more important than tax.

Fundraisers drive donors to give to a charity's brand rather than to its purpose and programs. Donors are seduced with the fiscal incentives of sophisticated tax planned giving rather than the ultimate effectiveness of their donated pound in bringing amelioration to suffering or lasting solutions to root causes of problems. Wise practitioners in the advisory community will shift the focus of donors to the purpose of the gift and what public good can be accomplished with the donor's money instead of the self-serving objective of building the donor's social brand. The question that donors having 10,000 pounds to give will more frequently ask in 2021 is whether greater public benevolence can be accomplished with a lesser after-tax amount spent outside the charitable sector than with a larger amount spent by charities. In Canada, I am beginning to see donors with \$10,000 income paying \$4,400 tax instead of taking the charitable donation tax credits. They then spend the remaining \$5,600 directly accomplishing public good outside the charitable sector. The philanthropic sector needs to nurture donors who give primarily out of a desire to make a difference rather than out of an ideological aversion to paying tax.

Donors, in 2021, will increasingly ask whether the operational, legal and regulatory limitations placed on organizations working within the legal paradigm of charities means that charities are not the best or most effective vehicle to accomplish the mission or social endeavour they want to fund. The problem is that too often charity law allows donors to only ameliorate social problems rather than solve their root causes. Consider the example of social housing which many people think is the community's greatest need. The law requires a registered charity to have "exclusively" charitable purposes. Consequently, the regulator will only register organizations that will provide housing exclusively to the economically needy. The result is that charity law only allows building a ghetto for poor people. This was confirmed in England in February this year in the First Tier

Tribunal Tax case of *Helena Housing Limited*.<sup>16</sup> Charity law does not allow mixed income housing that will achieve better demographics and social policy. Consequently, it denies the charity the resulting increased rent payments that would assist it in achieving economic viability. Therefore, while donating to a charity is the most economical way to fund social housing, it is not the smartest or best vehicle in which to operate social housing and help the people who need it.

Charity law is extremely slow in allowing innovation and adopting creative solutions to social problems. It is even more reluctant to allow the business activities that produce the revenues to achieve economic sustainability. In 2021, many funders will be more inclined to invest in enterprises that produce long term employment than to make donations to fund the dole. They will look at whether an investment in a social enterprise or even a corporation has a better chance of producing enduring sustainability than funding an endowment. The restrictive rules constraining the ability of charitable foundations to own a controlling interest in corporations, as well as the imperative that a foundation's investments generate enough interest to meet mandatory payout requirements, mean that charities cannot own corporations that are interested in generating employment or accomplishing social good. Perversely, charity law precludes charitable foundations from owning corporations not driven primarily by generating annual profits to enable the foundation to meet statutorily imposed disbursement quotas.

At Benefic we tell our clients that the charitable donation tax credit is the lazy man's tax efficiency. Clients with capital can plan business operations which achieve social good tax efficiently by taking deductions for sponsorship or categorizing the provision of goods and services to targeted needy persons as marketing or deducting the cost of research. This is a trend that will grow significantly in the coming decade.

Historically, charities have portrayed themselves as morally superior to corporations. In many ways they are. However, charities are also big business themselves. Too frequently the metric of a charity's success is the quantum of donations brought in and burnishing the brand rather than the effectiveness and compassion of their programs. Donors are increasingly turning against charities they perceive as fundraising machines fuelled by glorifying pity rather than accomplishing change. Charities will always be needed, but they are quickly losing their arrogated monopoly over the moral high ground. Savvy professional advisors will get over whether an organization is a charity or a business and help their clients to develop a new analysis of the best vehicles and tax strategies to fund benevolence in 2021. These tests will seldom meet the legal test of being "exclusively charitable". Activists and innovators will increasingly want to pursue benevolence rather than charity.

Tax efficiency will always be an important consideration in funding the charitable sector. I am a tax lawyer who has been well paid to develop many successful tax driven charitable donation schemes. However, I stand before you today saying we have allowed the short term benefits of using tax incentives to attract money into the charitable sector to dissuade us from critically examining whether the charitable sector is necessarily the most effective and efficient place to achieve long term social good. The advisory community must help redirect the focus to considering the impact of a gift in accomplishing its objective rather than analyzing the tax efficiency of the funding. Even if tax incentives are not withdrawn, the reduction in marginal tax rates reduces their economic impact.

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<sup>16</sup> *Helena Housing Limited v The Commissioners for Her Majesty's Revenue and Customs*, First Tier Tribunal Tax 1 February 2010, [2010] UKFTT 71 (TC) 2010 WL 666326

History reminds us of the importance of the testamentary charitable trusts of Puritan merchants. High estate tax rates in the United States contributed to the fact that so many private foundations are created by testamentary gifts. Estate tax rates have been more important than income tax rates. However, in the United States estate taxes were substantially eliminated in the Bush tax cuts. In Canada and Australia estate taxes have been replaced with capital gains taxes on deemed disposition upon death. If, in 2021, estate taxes are gone in England, charitable funders will have lost another tax incentive for gifts at the time of intergenerational wealth transfers.

As a professional who constantly moves around the globe, I frequently ponder how much wealth has already moved offshore to tax havens. Funding strategies based upon tax incentives leave professional advisors with no strategy when they advise the truly wealthy who may reside in London but whose wealth is in Jersey, Switzerland or the Caymans. By 2021, innovation in benevolence will receive significant funding from international sources. The advisory community should develop more expertise about funding from other than domestic donors.

I am the primary foreign advisor to the Ministry of Civil Affairs in Beijing in drafting China's proposed Charities Act. I believe that emphasizing the predominance of tax benefits to charity funding has the potential to corrupt the growing class of millionaires and billionaires in China who are just beginning to explore the world of charity. Many neophytes incorrectly think that American philanthropy is entirely funded by tax savings. In countries like China, it is much easier to accomplish social benevolence when operating through a for-profit corporation than through a charitable foundation that will attract a great deal of government scrutiny and constraints.

By far the greatest change in the philanthropic sector, in 2021, will be the massive influence of social media and web-based strategies. At Benefic, we are devoting most of our time and resources to web-based and social media funding. Charities are beginning to utilize the technology of Peer Giving Solutions to empower volunteers and champions in the community, who are not employed by the charity's development office, to promote their causes and attract funding. Possibly a more disruptive and revolutionary technology is an initiative seeking to encourage small donors to give to an account, which they control, whenever they are motivated by Charitable Impulses. Operating out of [chimpfund.com](http://chimpfund.com) (although, currently, by invitation only), this system also enables donors to engage their personal social networks in charitable giving. It pioneers methods to help corporations to support the charitable giving aspirations of their employees and customers. Both of these web initiatives are primarily charity-based at this point in time, because the conventional wisdom of the charity world is that tax incentives are fundamental to donors. However, we doubt that tax incentives are a significant consideration when a young person is texting a small donation or sending a gift from her iPhone. Further, we doubt whether it is in the best interests of the sector to compromise the idealism and altruism of these young people by encouraging them to think about the tax benefits of a five pound gift. Both of these initiatives will move beyond soliciting exclusively charitable funding.

Current fundraising strategies of charities are invariably national. A charity with an attractive web presence and progressive social media strategy will inevitably draw potential donors from outside national borders. How do you develop a web strategy that encourages a donor who wanders onto your charity website from Sweden or China to not be dissuaded from giving because she feels that English donors will receive tax benefits but she will not? The web platforms Benefic is developing think globally rather than nationally. We expect them to ultimately have



more utility in China and India than they will have in Canada or England. I do not have time to expand on social media fundraising in this talk, but invite you to contact me to discuss this exciting new frontier after the session.

Thank you for the invitation to come to London and address you.