

## Key Takeaways: Family Office Roundtable: Philanthropy

Update prepared by Jersey Finance, March 2021

On 25 February 2021, Jersey Finance hosted the first of four roundtable events in its 2021 series, focussed on family offices. These events are intended to encourage dynamic debates and explorations into what is important for private clients when it comes to establishing, redomiciling or relocating family offices around the globe. This virtual roundtable was held online and focussed on philanthropy.

The event started with a welcome note from the moderator, Robert Moore, UK Director at Jersey Finance followed by an open discussion between all attendees.

### Attendees

- **Rosalyn Breedy**, Partner, Wedlake Bell
- **Chris Cotillard**, Director, Alex Picot
- **Anthony Donatelli**, Director, UBS
- **Sarah Farrow**, Senior Associate, Carey Olsen
- **Dr Stuart Gibson**, Founder and CEO, Gibson Strategy
- **Zillah Howard**, Consultant & International Private Client Lawyer, Jersey
- **Kevin Lemasney**, Head of High Value Residency Engagement, Locate Jersey
- **James Maloney**, Partner, Farrer & Co
- **Robert Moore**, UK Director, Jersey Finance
- **Victoria Papworth**, Director, Coutts
- **Rupert Phelps**, Partner, Smith & Williamson
- **Alice Vink**, Senior Associate, Stephenson Harwood

### Philanthropy and the next generation

“We’re seeing a much bigger dedication of resource, generally to philanthropic areas. For example, a lot of structures now are using dedicated philanthropy professionals. Some family offices have such large philanthropy arms that they’re almost like a small business sitting within a family office structure” – Sarah Farrow

- Increased use of impact assessment and ESG ratings becoming commonplace for the next generation of philanthropists too.
- NextGens want dedicated structures to invest and participate in specific philanthropic projects.
- Legal documentation around family offices has shifted from focussing on tax planning initiatives to now focus on legacy building and ensuring structures are generally positive

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in terms of impact, such as carbon neutral structures or set percentages of assets under management used for philanthropy.

- Demand for collaboration functions has increased for family offices. Some are creating their own structures to facilitate greater control and influence over what their offices are investing in and to direct the philanthropic nature of their investments.
- Impact assessment and ESG ratings of investments are becoming commonplace as NextGens expect family office providers to be able to tell them exactly where their money is, what it is doing and how it is being used. FinTech structuring solutions are being used to enable this.
- Different philanthropic focusses within one family means that structuring involves accommodating each person in the family; each has their own part dedicated to their preferred causes. This has resulted in an evolution in the type of legal documentation used for structuring.

### **Succession planning and changes in philanthropic giving**

“One of the areas I first start thinking about is human longevity. And as that extends, it means there can be the next generations [*plural*]. One of the things I noticed with the next generation family members is they want to [get involved] in a way that is in accordance with what they care about and what matters to them”- Rupert Phelps

- Philanthropy itself can be the trigger for a family to start on the journey of setting up a new single family office. This is then a significant factor in terms of how families seek and source their advice.
- Transparency, accountability, and power are direct challenges for philanthropists and philanthropic giving, particularly in the UK.
- New ESG disclosure rules are becoming a key consideration for family offices and UHNW HNW families.

“ESG disclosures – whether it’s funds invested in by a family office or if a family office is setting up its own impact funds – family offices should demonstrate leadership in the marketplace by checking that the funds and companies they invest in comply with mandated ESG disclosures.

This is what reputation management will be about for families going forward. Families have to now explain: What is their ESG position? What philanthropy do they do? What is their role in society? And how do they treat their employees in their businesses? These are all integrated issues for families” – Rosalyn Breedy

## Advising the next generation of philanthropists

“When we’re talking about philanthropy, we’re really talking about very personal individual issues in terms of getting to grips with what matters to particular people. That, in my experience, is the starting point” – Zillah Howard

- Examples include entrepreneurs wishing to step back from first focus on business activity but wanting to use their skills in relation to a particular project or cause; using philanthropy as a controlled environment in which to educate the next generation in relation to family wealth and values; or bringing together diverse family members across the globe to share in common ideas and values.

“One issue I’ve seen is that the patriarch has a clear vision about what they want to do, and they’ve set up the structures to achieve that. And then, they expect the next generation to carry on the vision and the legacy. But the next generation have slightly different views and want to do things slightly differently. Had there been better conversations between families when they set up the structures, advisors could have built in the flexibility” – Rosalyn Breedy

- Reputation management and transparency are general jurisdictional factors that are more important for families today.

“There’s a conversation to have with the next generation about how they have convictions but are looking for experience and connection [*with philanthropy*]. That challenge will increasingly come from within the family. As advisors, it’s an interesting question for us, as to how we manage and have those conversations with our clients” – Victoria Papworth

- Families are looking for jurisdictional stability, regulatory reputation, robustness, a well-respected judiciary, and an ease of access to the courts should the need arise. Accessibility and practicality, including time zone accessibility are also desirable. Jersey has a positive story to tell in relation to these jurisdictional factors.
- Trusts and foundations are two key structures Jersey uses for philanthropy. Both offer flexibility at their core and can be tailored to suit requirements.
- If the philanthropic objective involves opportunities for ongoing involvement with the project, Jersey offers a range of ways to approach this. For example, with a Jersey Foundation, the philanthropist can be a member of the foundation’s Council to ensure the delivery of the philanthropic goal. Or family members can be given roles on Giving Committees to ensure philanthropic goals are worked through in practice.
- On public profile, there is no public registration of trusts in Jersey and the establishment of a Jersey trust can therefore be attractive to those not wishing to have a public profile.

- A Jersey Foundation has publicly available information on the register of foundations but can exclude the Charter which specifies the foundation's objects.
- For family offices wanting a registered charity or label, Jersey's Charities Law allows for this. The charities registry is divided so family offices can have a general registration or a restricted registration.
- Restricted registration means a reduced public profile. It enables families who are not wanting to raise funds from the public, but instead want to use their own family money, while at the same time having a formal charity.

### **Achieving philanthropic aspirations for family offices**

- The topic of philanthropy coupled with sustainable investing and impact investing is getting bigger by the day.

“There's a limited pool of philanthropic capital out there. We know there's a funding gap to solve the sustainable development goals. We know we need not only philanthropy, but we need other pools such as investment capital to go towards contributing to solving the SDGs.” - Anthony Donatelli

“I think there's a challenge to all of us as advisors in how we work alongside our clients who are seeking to act in such a purposeful way. We're seeing lots of our clients coming back to those first principles- deciding what they want to achieve. And in some cases, moving from those very big general goals to do much more change-focussed local projects” - Victoria Papworth

### **COVID-19 and its effect on philanthropic giving**

- In April 2020, £1.2 million was raised from high-value residents in Jersey, in just five weeks. All this money went into the Bailiff's Fund to deal with COVID-related issues. £150,000 will be allocated to mental health aftercare for frontline workers. [More information](#)
- As a result of the global pandemic, philanthropic causes and giving are likely to increase among family offices in the next 12 - 18 months.

“Having spoken to family offices and wealthy individuals over the last three to four months, I think the COVID-19 pandemic has made people reevaluate their lives. It's not about money. It's not about giving. It's very much about can they make a difference” - Dr Stuart Gibson

“COVID has underscored that move from recovery to resilience, we see some of our more ambitious clients. They're now thinking about how they can move from

healthcare to livelihoods and understanding how to not just create job support schemes, but how to address unemployment and under-employment in our society” – Victoria Papworth

“For one of my local [*Jersey*] clients, as soon as COVID came along, he teamed up with another high-value resident to purchase a significant amount of respiratory equipment. They got the equipment brought over to the Island and my client, personally, put £2000,000 into that venture” – Chris Cotillard

### **Philanthropic aspirations of Jersey’s High-Value Residents**

“A theme that’s becoming very apparent is this societal view of the wealthy and that, in inverted commas, the wealthy should be doing more for those of lesser wealth. And that’s a huge challenge at the moment. A lot of the wealthy people want to do this in a very discreet way and will do it through certain structures to protect their privacy. So, they can be doing a huge amount on one hand, but on the other hand, it’s not known generally in society” – Kevin Lemasney

- Since 2018 HAWAG (Government of Jersey’s housing and work advisory group, which is made up of four government ministers. They have the final decision on awarding residency to high-value residents) reviewed the economic substance of HVRs but also increasingly, their social substance.
- In February 2021, Locate Jersey’s clients raised £125,000 in two weeks, providing match funding to the Government of Jersey’s Treasury and Education Departments which will address the digital divide on-island. This funding has provided 1,200 laptops and iPads to those who may not have access to digital in their homes.
- Locate Jersey has recently published the [‘Give 2’ publication](#) which focusses on philanthropy, particularly in Jersey.

### **Establishing structures for philanthropic giving in International Finance Centres (IFCs)**

- International UHNW and HNW clients use IFCs for the quality of governance and legal infrastructure. There is also a desire for political and economic stability, particularly if their home jurisdiction is politically unstable.

“What I am seeing is an increasing awareness of reputational and transparency aspects to philanthropy. How transparent does somebody want their giving to be? How much are they aware of their own reputation?” – James Maloney

- In relation to the Channel Islands, clients are attracted by the industry’s security and its flexibility in relation to structures that clients can select for philanthropic giving.

- Jersey is well-placed to offer flexibility of purpose for philanthropic giving, with the increase in interest for hybrid philanthropic giving and hybrid ideas which may be philanthropic in nature but not charitable in the legal sense.

“Clients are looking for tried and tested structures. They want flexibility and the knowledge that their structures are not going to get tied up in red tape” - Alice Vink