Dear Sir

the following comments focus on the suggested minimum distribution rate.

While we agree with many of the principles discussed in the paper, we suggest the proposed minimum distribution rate of 15% is counter-productive and not workable.

Many PPFs have been established to carry out well structured giving programs which involve long-term relationships with charities. These are important for charities, as they often complain about the lack of certainty of funding and they are important for PPFs, as efficiency is improved by such an approach.

The following example illustrates how such a rule might reduce the life of a fund to just 4 years.

End of year 1: 1m assets. Required distribution under the proposal: $150,000

During year two, relationships are formed for a distribution of this amount. At the same time, the asset value could fall by 30%, as recently experienced.

End of year 2: $700,000 assets minus $150,000 in distributions, i.e. $550,000

As the arrangements in this example have been made for a five year period, funds would be eroded in 3-4 years if there was a zero return per annum during this period, or in approx. 5 years if the return was 4% per annum.

While it is understood that the purpose of PPFs is for distributions, it should also be recognized that they are often established at a later point in someone's life, but with the objective to be a worthwhile task for the rest of the person's life. This can easily be 20 to 30 years.

On this basis, the minimum rate, if it is introduced, should not be more than 5% or needs to take returns into account.

As it has been an issue with the ASX rules, one needs to be careful that new rules are not predominantly created to reign in organisations which do not follow the rules at the expense and to the disadvantage of the vast majority who do good work.

Regards
Thomas Girgensohn
Trustee for the Girgensohn Foundation