

Foundations Help Bring Discipline to Philanthropy

By SONIA KOLESNIKOV-JESSOP

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When Andy Lim returned to Singapore two years ago after studying law in Britain, he sat down with his father, the chief executive of a real estate fund management company, to discuss how the family could start making its philanthropic gifts in a more organized way.

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Raquel Marin

“My father has always been active in giving out ad hoc checks to various causes over the years,” Andy Lim said. “Giving through a foundation is the next logical step towards creating a more structured method of giving.”

The two decided to set up the Lim Hoon Foundation, with initial capital of 10 million Singapore dollars, or \$7.7 million, to help young people who did not have access to education.

So far, the foundation has given several scholarships and is paying for the maintenance of a pool at a school for children with special needs. Only interest is disbursed to help preserve the foundation’s capital.

The foundation is now considering bigger projects, including some in China, with guidance from the philanthropy services arm of the Swiss bank UBS. But in organization and in philosophy, it is still very much family-oriented, Andy Lim said.

“Our ‘board meetings’ are simply conducted over dinner at home, where I run viable projects past my father for approval, comments and ideas,” he said.

The Lim family is part of a broader trend. The number of millionaires in the Asia-Pacific region grew by 25 percent last year, catching up with Europe for the first time, according to

the latest annual World Wealth report from Merrill Lynch and Capgemini. The combined wealth of Asia-Pacific's high net worth individuals rose by more than 30 percent to \$9.7 trillion in 2009.

Demand for philanthropy-related advisory services also rose in the region, the report noted, adding that, more generally, philanthropists today "are likely to demand the same kind of professional advice in making these types of [investments](#) as they do when considering investments designed to meet other financial and lifestyle objectives."

That, wealth management experts say, is a big change from years past.

"When I was growing up in Hong Kong, I used to see people writing checks to Community Chest — that was their idea of charity," said Thelma Kwan, head of wealth advisory, Asia Pacific, at Barclays Wealth.

"Now people are more into philanthropy," she said. "Philanthropy comes with a little more structure, more strategy and governance built around it, and also more involvement after a donation has been made. There's usually a more well-thought-through long-term strategic direction, rather than just signing a check."

Chew Gek Khim, deputy chairman of the Tan Chin Tuan Foundation set up by her late grandfather in 1976, said that "when you give from your own pocket, it tends to be ad hoc and dealt with when an appeal comes. When one sets up a foundation, more thought is given to the idea of giving; systems and processes are usually set up along with the foundation to ensure that giving is at least for a period of time."

"From a structural standpoint, giving through a foundation is more likely to be sustained, simply because of the discipline involved when one sets up a foundation," she added.

While there is no minimum sum required to set up a foundation or a trust, bankers recommend starting with at least \$1 million, given the costs associated with running the structure.

Michael Troth, Asia head of Citi Trust in Singapore, pointed out that clients needed to decide how involved they wanted to be in the daily running of the foundation and the composition of its board, as well as consider a number of other questions. "Does the client and his family want to be on the committee? How should the committee operate? How do they vote? How do they receive requests for grants?"

Ms. Kwan said it was important for clients to put good governance in place, with checks and balances on the committee making the decisions, and to devote time and resources to due diligence. “If you’re giving money in another country — for example, building a school in a foreign country — you may want to do regular inspections of what’s going on and the progress made,” she said.

Once all the structures are in place, benefactors may face a different problem altogether: finding viable, sustainable projects that fit the foundation’s vision and objectives.

“We have received so many proposals for projects in the past year, but many do not meet our foundation’s ethos of sustainable giving and do not pass our due diligence processes,” Andy Lim said of his family foundation.

Woon Shiu Lee, head of wealth planning, trust and [insurance](#) at Bank of Singapore, said it was important for clients to remember that once they set up a structure for private wealth planning purposes, they are no longer the legal owner of the assets within the structure. “They have to maintain a clear distinction between themselves and the structure to ensure that they derive the optimal tax benefits from the structure,” he said.

Financial benefits aside, philanthropic giving through a family trust or foundation can also pay personal benefits. Andy Lim said the experience had helped him and his father grow closer.

“When I was much younger, my dad and I would start small projects like building model tanks or airplanes together,” he said. “We grew distant through my rebellious teenage years, and it’s only since starting this foundation together that we really got a chance to reconnect.

“It is as if we have gone full circle and gone back to the days where we would do little projects together. I am enjoying this aspect very much.”