

**TITLE: It's time to stop gouging the dead**

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The finance sector is more focused on greed and self-interest than any other industry. It literally makes nothing except money. The philanthropic sector, on the other hand, is by definition focused on giving rather than taking. So it should come as no surprise that when the big financial institutions move into the philanthropic sector, something is going to have to give.

Over the past century thousands of generous Australians have died and left some or all of their estate in a “perpetual trust” to be used for philanthropic goals.

But most of the “perpetual trustees” have not been as long-lived as the funds they were managing and many funds were bought up by larger financial institutions over time.

So it came to pass that some of the largest and most profitable financial institutions in the country are now the custodians of hundreds of millions of dollars in philanthropic funds.

Perhaps unsurprisingly, these institutions think they should be paid much higher fees to manage these philanthropic bequests.

The logic of the market is that customers who feel they are getting a bad deal should take their business elsewhere. But of course, such logic is irrelevant when the customer is dead and the legal nature of “perpetual” trustee is such that they can only be removed for gross malfeasance, rather than rising costs and declining service quality.

While the fees charged by large financial institutions to manage the philanthropic bequests of generous dead people vary from state to state, the federal government is under pressure to increase them.

Every extra million dollars taken in management fees by the perpetual trustees is a million dollars not provided to Australian charities to help the vulnerable in our communities. Not only can't the original benefactors speak out, but the charities that rely on such funding are

afraid to speak out. The decision- making process of the perpetual trustees is as arbitrary as it is unaccountable and, in turn, the risks of crying foul are high.

The perpetual trustees are so unaccustomed to accountability that even their submissions to a public inquiry by an advisory committee to Treasurer Wayne Swan into trustee fees and portability of their services have been removed from the government's website.

Indeed, so opaque is the governance of this small but significant sector of the finance industry that it is not even obvious how many perpetual bequests exist.

What was intended to be an open invitation to a round-table meeting to discuss ways in which the interests of charities could be balanced against the profit motive of the finance sector has been transformed into a small, private invitation-only event.

It seems obvious that market forces cannot limit the ability of a financial institution to gouge fees out of a dead person with whom they have a perpetual contract.

Financial Services Minister Bill Shorten has recently moved to increase transparency and improve accountability in the not-for-profit sector. Let's hope he and Swan apply the same approach in this darkest of the finance sector's corners.

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