It is Better to Contribute a Portfolio of Royalties Than Cash as Royalties Provide a Greater and Longer Term Benefit.©

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Many organizations in the business of goodwill need ever increasing amounts of funding in the future.

Typically, money contributed to non-profit entities is either immediately expended, or it is invested in traditional vehicles, which provide modest returns.

Revenue royalties are negotiable contracts entitling the owner to an agreed percentage of the royalty issuing company's revenues for an agreed period. They increase in value, and the income they generate increases, assuming the revenues of the royalty issuing companies increase. Predicting the future trend of revenues is easier than assessing the profitability of companies. Inflation will tend to increase prices of goods and services (which increases revenues), even if profits do not increase.

Although anyone can identify privately owned companies which are believed to have a positive future revenue outlook, it takes experience to structure and negotiate royalty contracts which are both fair to the issuer and to the investor.

Therefore, a professionally-managed royalty income fund is the best course; there are currently a number of royalty income funds in development and we expect there will be many more in the future. These funds will buy royalties from both established and early stage companies, depending on the policy of the fund, and in most cases have an expectation of achieving a return of greater than 15% annually.

The royalty payments made by the issuers are tax deductible to the company and are tax free to the non-profit owner of the royalty.

Royalties may be sold by the owners at higher value than their initial cost, if the royalty issuing companies have increased their revenues as expected.

Therefore, a contribution of a portfolio of royalties is the gift, which continues and increases giving.

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