

Professional Advisors eResource



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We acknowledge and thank **CFC** for information
found throughout this eResource

TABLE OF CONTENTS

Introduction

SECTION 1: Talking About Charitable Giving

SECTION 2: Tools for Professional Advisors

SECTION 3: Six Gift Options for Canadian Donors

SECTION 4: How Community Foundations can Help

INTRODUCTION

With 84% of Canadians contributing to charity on an annual basis, charitable giving is becoming an increasingly important part of your client's overall financial plan.

Add charitable planning to your practice – or enhance what you already do – with practical online tools and resources designed for you and your clients.

With more than 100 years of combined charitable experience, community foundations can help you build a stronger relationship with your client and make a difference in your community at the same time.

Did You Know?

Research shows that **only 7%** of Canadians would leave money to charity in their Will, in the absence of a specific discussion around charitable giving.

However, if the issue is raised with them, perhaps when drawing up a Will or financial plan, the figure **rises to 27%** – more than a three-fold increase.





SECTION 1

Talking About Charitable Giving

Top 10 Reasons for Discussing Philanthropy

Many professional advisors search for tools and resources to rely on when talking about charitable giving with clients. But why should you discuss philanthropy with your clients?

In 2014, a study was jointly commissioned by the Canadian Association of Gift Planners, Giv3 Foundation, the Philanthropic Foundations of Canada and BMO. It was called “The Philanthropic Conversation”, a story of understanding financial advisors’ approaches and high net worth individuals’ perspectives. Conducted by IPSOS, the study found a number of important reasons to integrate philanthropy into your practice.

1. Proper tax and estate planning helps clients reduce taxes and protect their wealth.
2. Clients feel advisors who incorporate philanthropy in planning have a more holistic strategic approach.
3. Discussing giving priorities and tax needs leads to a better understanding and relationship with clients.
4. Being known as an advisor who understands philanthropy increases your credibility and reputation.
5. Advisors who ask about giving priorities and goals are seen as having deeper connection with clients, especially creating and maintaining a relationship with a surviving spouse.
6. As “fundraising” becomes more common in all charities and clients feel more pressure to give, advisors are seen as neutral partners and create a safe space for clients to discuss and consider gifts of assets and as part of an estate.
7. In a client world obsessed with fees and cost, an advisor who includes the philanthropic conversation is seen as less about cost and more about client benefit and impact.
8. Advisors who talk about philanthropy as well as give and volunteer themselves are a much more attractive choice to prospective clients. Clients are more willing to refer an advisor who is seen as a public leader and charitable individual.
9. Many complex donations of capital or estate involved breaking down assets with other financial institutions and while some of the capital is donated, advisors who incorporate philanthropy in their practice have clients bring more assets into their book of business as a result.
10. As charities raise their level of sophistication in fundraising they require expert advisors to help their donors complete gifts of capital and estates. Advisors who are seen as philanthropic partners are more likely to be referred to high net worth donors.

For more information on “The Philanthropic Conversation” please visit the [Canadian Association of Gift Planners](#) website.

The Canadian Association of Gift Planners is an association that is a partnership of both charitable gift planners and professional advisors. They often collaborate with local community foundations to host information days on tax and giving. [Find your local chapter.](#)

How to Start the Discussion

When asked why advisors don't bring up philanthropy more often, the response is that they are worried about wasting the client's time or offending them if they bring up any specific organization.

Client studies in both Canada and the United States have high net worth clients sharing that they expect their advisor to bring it up some time in the planning conversation. The best way to do this is with questions and listening for specific opportunities. In this section we share the reasons why asking questions of your clients is so important.

WHERE TO BEGIN?

One of the simplest and most important things you can do to help your clients enjoy the benefits of charitable giving is to ask them the giving question: "Is there a cause you care deeply for or a community need you would like to address?"

WHY RAISE CHARITABLE GIVING AT ALL?

Your clients are increasing their knowledge about options and expecting you to help them create innovative, comprehensive financial plans that take care of their families and friends, minimize taxes and reflect their values. Confronted with the task of transferring assets from one generation to another, people are increasingly choosing to integrate charitable giving into their planning to realize financial benefits and have an impact on their community.

- Charitable giving can generate significant tax benefits in both annual and estate tax situations — your client may not be aware of this opportunity.
- The ability to provide for a charitable gift often produces a deep sense of fulfillment and satisfaction — your client may be very grateful to you for not only asking the "giving question", but also helping him/her to grow their personal impact through smarter giving.

- Your client may never have mentioned an interest in charitable giving — perhaps due to a disappointing experience or to lack of information about how charities work or what impact individual donations can have on a problem. You can offer your client an opportunity to become informed without any obligation. Community foundations are uniquely positioned to understand both local needs and local solutions. They can help you serve your client better and provide timely information.
- The media has painted a picture of philanthropy that is often out of touch with most Canadians. Your client may think that their personal resources are not sufficient to have any charitable impact. You can show your client a variety of creative ways to make a gift that is compatible with personal and financial circumstances and will make a difference today and tomorrow.
- You'd be surprised how many of your clients are searching for a way to give back to their community, to memorialize a loved one, or simply to do good. Many of them are giving inefficiently both annually and through their estate.
- You live/work in this community too. This is an opportunity not only to serve your client, but also to help your community thrive.

How to Start the Discussion (cont'd)

WHO IS IN NEED OF YOUR HELP?

Recognizing that all clients can benefit from planning gifts in life and through their estate, Canadians who have been identified as having the most need for charitable gift planning are:

- Unmarried individuals without children
- People who are financially comfortable but do not consider themselves to be “wealthy”
- Married, with no children
- Owners of privately held companies
- Married couples who have independent or older children
- Owners of appreciated securities or secondary real estate
- Surviving spouses
- People with an existing relationship to a cause or community organization

WHEN TO RAISE THE SUBJECT OF CHARITABLE GIVING?

Your greatest opportunities to help your clients maximize the personal benefits of giving occur when they are undergoing major business, personal and financial transitions, such as:

- Sale of a business or other major asset (especially a secondary property);
- Estate planning;
- Readjusting assets after the death of a loved one;
- Writing or revising a Will;
- Retirement planning; and
- At times of a financial windfall, such as an inheritance, a merger or acquisition.

Circumstances in clients’ lives usually cause them to begin or alter their financial plans, including charitable giving. The following scenarios might signal an opportunity for a discussion about planning and how charitable giving can help achieve their goals.

- Your clients tell you that they are about to take their company public, or that they want to transfer ownership of the family business to the next generation.
- Your client tells you he wants more income from his stock but worries about capital gains tax if he sells.
- Your client discovers he has a large retirement fund which his heirs will receive only some of.
- Your client says she would like to provide income to her mother, sister, niece, or others but still benefit a cause close to their heart.
- Your client shares that they are selling a secondary property like a cottage or overseas residence and that they would like to donate a portion of the proceeds.
- Your clients ask questions about a private foundation which is an older more restrictive way to create charitable impact. Community foundations offer more alternatives to this expensive and time-consuming option.

How to Start the Discussion (cont'd)

LISTENING FOR CHARITABLE OPPORTUNITIES

Philanthropy is a very personal decision. A professional advisor can help clients realize their charitable objectives by listening for charitable giving opportunities, explaining options, and suggesting solutions. Significant giving opportunities often arise when clients are making major business, personal, and financial decisions where the motivation isn't just the cause, but also the benefits of giving. Community foundations can work with you and your client to recommend the best giving solution. Here are some typical scenarios:

YEAR-END TAX PLANNING: Your client just earned a large bonus or received an inheritance and wants to give a portion back to the community, but has no time to decide on the most deserving charities. Recommend establishing a fund through their community foundation for an immediate charitable tax credit, and the ability to tailor and coordinate their giving to maximize results and minimize administrative cost and decisions. Your client can then work together with the community foundation at a later time to determine the charitable organizations that will benefit from their gift. By disconnecting the “how/when” from the “who/why” you can help clients with tax needs while having a greater charitable impact.

PRESERVING AN ESTATE: Estate planning identifies significant taxes going to the Canada Revenue Agency, but your client wants to direct dollars for local benefit. The community foundation can work with you and your client to reduce their taxable estate through a charitable bequest or other planned gift. Your client's gift will create a legacy of caring in the community that stays true to their charitable intent today, and for tomorrow.

ESTABLISHING A PRIVATE FOUNDATION: Your client is thinking about establishing a private foundation, but is looking for a simpler, more cost-efficient alternative. The community foundation can help you and your client analyze the pros and cons of creating a Donor Advised Fund or a private foundation.

SALE OR DISPOSITION OF HIGHLY APPRECIATED SECURITIES: Your client has appreciated stock or mutual funds and wants to use a portion of the gains for charitable giving, but the identified charities are too small to accept gifts directly. Suggest establishing a fund at a community foundation with a gift of appreciated securities. Your client receives a charitable tax credit on the full market value, while avoiding the capital gains tax that would otherwise

arise from sale. Your client can then focus on their charitable priorities of impact and community investment.

SALE OF A BUSINESS: Your client owns highly appreciated securities in a company that is about to be acquired. The community foundation can work with you to suggest several ways to structure a charitable gift (including the use of planned giving techniques) to help your client reduce capital gains tax and maximize impact to the community.

STRATEGIC GIVING: Your client is passionate about helping meet a specific community need and wants to have a meaningful impact through giving. Community foundations have been nationally recognized as experts in understanding civic and community needs. You and your client can work with their grantmaking experts to explore the client's wishes to inform and educate so their donated dollars have the greatest impact.

SUBSTANTIAL RRIF ASSETS: Your client has substantial assets in retirement accounts and wants to leave their estate to family and some favourite causes. The community foundation can help you and your client evaluate the most beneficial asset distribution to minimize taxes, giving more to their heirs and preserving charitable intent.

SALE OF REAL ESTATE: Your client is interested in downsizing and simplifying life by selling secondary property. For the baby boom generation these property sales will represent major challenges in capital gains.

MARKING A MILESTONE: Whether your client is celebrating a corporate anniversary, a personal milestone (such as a significant birthday, graduation or birth) or marking the passing of a loved one, naming a fund at your community foundation can be a fitting way to remember a particular person or time in your life. Community foundations are the most trusted partners for this type of public and private giving and offer the most support as part of the donation process.

Ways to Talk About Giving

We have talked about why you should introduce charitable giving into your conversations with clients, but how can you make this conversation a comfortable one?

In this section we share tips on introducing the topic of charitable giving.

HOW CAN YOU INTRODUCE THE SUBJECT?

- When drawing or reviewing a Will, include the “giving question” as a regular item on your list of issues to discuss with your client.
- In advance of your meeting, provide your client with a printed list of issues and questions (including charitable giving) to be addressed – this allows your client to consider the idea ahead of time and ensures that the question is not overlooked.
- As an advisor you are eligible to receive free copies of Canada’s two resources to help clients consider giving. These books contain information on strategy, taxation and interesting articles about trends in giving in Canada as well as the listing of Canadian charities where they can do further research on activity, impact and financials.

• [The Canadian Donors’ Guide](#)

• [The Canadian Book of Charities](#)

- Introduce the subject in a way that generates a thoughtful rather than reactive response, using one of the following conversation starters:
 - You are so involved in your community as a volunteer, leader (maybe as a board member of a charity) – why are you involved in this way? Have you considered including these organizations in your estate plan? Do you have a “giving goal” to reach with any organization? (i.e. establishing a scholarship or academic chair, being part of a giving society or capital project).
- For business owners: Often I see clients consider gifts of assets – as a way of sharing good fortune with those who

have been less fortunate, or of repaying an organization that has made a difference in their lives, or of helping make our community a better place in the future.

There are many tax benefits to business owners that are connected to charitable giving, may I share some with you?

- It would appear that your estate will be substantially reduced by income tax. Charitable giving can reduce that tax burden and benefit both your inheritors and your community. Do you give to causes now that you would like to see continue in the future?
- Many generous Canadians have significant gifts included in their Will but won’t be able to use the tax credits for their estate. Can I show you how you can make some of those gifts in life, benefit from significant tax-savings and see the impact you want to make tomorrow, today?
- Are you aware of the tax benefits eliminating capital gains payable on the sale of appreciated securities when you gift shares?
- If your client shows interest, but cannot make an immediate decision, include a bequest clause in the Will with blanks to be filled in. When you send your client a draft of the Will, he/she/they will have a chance to think about the gift and to talk it over with family or other advisors. It may also provide an opportunity for your client to make enquiries about particular charities or to seek information or guidance from the community foundation about local or regional community needs, opportunities and potential beneficiaries.

Ways to Talk About Giving (cont'd)

WAYS TO TALK ABOUT PHILANTHROPY WITH YOUR CLIENTS

Try to determine your clients' values and aspirations using the following conversation starters:

- I know you are very supportive of [organization or program, e.g., the local food bank, your seniors centre, your alma mater]. Would you like to continue your support through your estate plan?
- Are you making charitable gifts now that you would like to continue after your death?
- Have you considered what would happen to your assets if your spouse or children do not survive you? Would you like any of your assets passed on to a charity, rather than to a distant relative?

Expand your clients' thinking about their legacy to the next generation using the following starters:

- Do you think your three children would mind getting 30% of your estate rather than 33% if you decided to give 10% to your favourite charities?

- You could use a quote from Warren Buffett: "Parents should leave children enough money so they would feel they could do anything but not so much that they could do nothing."
- The story of Alfred Nobel who the world accidentally thought was dead and in reading his own obituary was deeply offended and developed a plan to create the Nobel Peace Prize.
- Clients can be hesitant to consider charitable gifts because they are afraid they will not have enough assets for a secure retirement. You might discuss how much is needed and open the discussion with the following sentence:
 - If you're interested, perhaps we could try making your money work better for you in your retirement while also providing for organizations that are important to you. A gift in your Will would also allow you to ensure you have access to your capital in life, and make sure it has charitable impact once you are gone.

Our philanthropic advisors at the community foundation are trained to help with this conversation. A confidential meeting with you and your client could help them distill their philanthropic intentions.

FOR CLIENTS UNCLEAR OF WHICH CAUSE TO SUPPORT

If your clients are interested in including philanthropy in their plans but are unclear about a particular cause you might also ask your client...

- When you lie awake at night, what do you worry about?
- What values, activities and organizations contributed to your success?
- If your children were to write your epitaph, what would it say about you? Would it match what you would say? What would you like to tell your children or the community about what really matters to you?

Life Stages of Giving

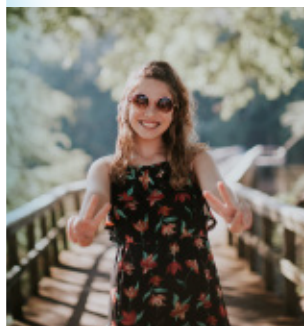
THE EARLY YEARS

CASH DONATIONS AND ACTIVE PARTICIPATION

With limited means while still in school or starting a career, individuals in their twenties and younger typically make spontaneous cash donations and/or contribute by participating in special events and activities.

MONTHLY GIVING

Increasingly, people in their thirties who are looking for easier, more convenient ways to give are choosing monthly giving programs where a specific amount is automatically donated to their favourite organization(s) each month. This is most easily accomplished through pre-authorized withdrawals from a chequing account, credit card or online.



THE MIDDLE AGES

LIFE INSURANCE

In their forties and fifties, individuals often carry their highest levels of personal debt and have the greatest need for annual tax savings. For this group, funding a charitable gift using a life insurance policy is a great way to make a significant future gift with modest current premium contributions that also generate a tax credit each year.

LISTED SECURITIES

For individuals in the highest income earning years, mid-to-late career who hold stocks, mutual fund units and/or stock options that have increased in value, funding a gift by donating these assets lets them take advantage of special capital gains tax elimination and enjoy immediate tax savings.

THE RETIREMENT YEARS

ESTATE GIFTS BY WILL

With retirement income resources and needs much better understood, many people over age 60 begin to plan for charitable gifts in their Will. Often referred to as bequests, these gifts can be specific amounts, or all or a portion of the residue of an estate. Remember though, that any person at any age can include a charity in their Will.

RETIREMENT PLAN ACCUMULATIONS

Increasingly, generous donors are beginning to designate charities as beneficiaries of the proceeds from Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs) and Tax-Free Savings Accounts (TFSAs). Such decisions result in reducing the amount of tax that would otherwise be payable by the estate at death.

Life Stages of Giving (cont'd)

THE RETIREMENT YEARS CONT'D

REAL ESTATE

Retired donors may decide that they wish to dispose of secondary or vacation property that they or their families no longer use, or they have a commercial property which they no longer require and they may want to consider gifting the property to their favourite charity.

CHARITABLE GIFT ANNUITIES AND REMAINDER INTEREST GIFTS

Those clients looking for a reliable, tax-preferred (and can be tax-free in one's 80's) life income stream, and a thoughtful way to support a favourite charity, have discovered that charitable gift annuities (CGA) or charitable remainder trusts (CRT) can be great ways to meet their needs. Both vehicles allow for the residual gift to be made to the charity while still providing income to the donor for their or a designates' lifetime.

There are a number of restrictions in place with respect to charitable gift annuities and who may be able to offer them directly. The most common are the reinsured versions where the charity uses all or part of the gift to purchase the annuity from a commercially licensed company.

LIFE'S MILESTONES

It is important to determine what might inspire your client to make a planned gift. They rarely make decisions about planned significant gifts, especially deferred ones, solely because an organization claims to need the money. They generally make planned significant gifts when they are preparing their Wills and conducting other estate planning activities.

Also, people begin to plan when significant events and changing life circumstances occur in their lives. Marriage, divorce, remarriage and the addition of children (and/or grandchildren), as well as the death of loved ones can prompt the planning process. Significant financial events, such as the sale of a business or an inheritance are other major prompts.



OTHER USEFUL FACTS ABOUT CHARITABLE GIVING IN CANADA

The median value of charitable donations increased from \$250 in 2007 to \$531 in 2013. However, the proportion of tax filers declaring charitable donations decreased to 23%.

Donors who give the most are likely to be older, have higher household incomes, more formal education, to be married or widowed, and to be religiously active.

Religious organizations receive 41% of donated dollars followed by health organizations (13%) and social services organizations (12%).

Donors who plan their donations and support the same organizations repeatedly over time give significantly more than others.



The top 25% of donors (who contributed \$364 or more annually) account for 84% of the total value of donations.

The top 10% (who contributed \$1,002 or more annually) account for 62% of the total value.

MOTIVATORS FOR CHARITABLE GIVING

The following have been identified as the key reasons people give to charity:

- Has a relationship with a particular charity because of personal experience
- Has a wish to create a lasting legacy
- Desires to be a good person, feel compassion towards people and feel good about themselves
- Has a sense of social responsibility, a need to help others less fortunate
- Wants to give something back to the community
- Appreciates the tax advantages

More facts and information available through [Statistics Canada](#).

SECTION 2

Tools for Professional Advisors

Ways to Talk About Giving

As community foundations, we combine charitable experience and expertise with a deep understanding of the needs, challenges and opportunities facing our communities.

Sharing this knowledge is at the core of what we do. This section contains a wide array of resources to make it easy for you to share information with your clients.

KEY RESOURCES

- Charitable Gift Matrix (CFC)
- Charities Directorate (CRA)
- Canadian Donor's Guide
- Canadian Book of Charities
- Planned Giving for Canadians (CAGP)
- Charity Focus (Imagine Canada)
- Multiplying Generosity and Ripple Effect (Book)
- The Philanthropic Mind: Surprising Discoveries from Canada's Top Philanthropists (Book)
- The Art of Giving (Book)
- The Art of Doing Good (Book)

USEFUL LINKS FOR PROFESSIONAL ADVISORS

Canada Revenue Agency (CRA)

CRA's website provides a search facility for Canada's charities. CRA also provides a full listing of interpretation bulletins and information circulars related to federal tax laws.

Canadian Association of Gift Planners

CAGP is a national association that exists to support strategic charitable gift planning. A national, nonprofit organization established in 1993, it is the only Canadian professional association that brings together charitable fundraisers and professional advisors.

Charity Village

Canada's supersite for the nonprofit sector – 3,500 pages of news, jobs, information and resources for executives, staffers, donors and volunteers.

Department of Finance Canada

The official web site of the federal Department of Finance Canada. A resource for current information and bulletins on budget issues and policies affecting professional advisors' day-to-day practices.

Imagine Canada

Imagine Canada supports Canada's charities, nonprofit organizations and socially conscious businesses and champions the work they do in our communities.

Leave a Legacy

An initiative of CAGP, this organization has over 25 regional civic groups that exist to encourage Canadians to include a charity in their Will or estate plan. They partner with local estate planning councils each year to host "Leave a Legacy Month" in May. Many programs publish a list of advisors who understand philanthropy in major newspapers. To get on this list contact your local group.



SECTION 3

Six Gift Options for Canadian Donors

Defining a Gift

The Income Tax Act, while having many references to charitable gifts, does not provide a definition of a gift. The Canada Revenue Agency defines a gift as “a voluntary transfer of property without valuable consideration to the donor”.

“VOLUNTARY”

The choice to make the gift must rest solely with the donor in order for it to be considered voluntary. For example, if a contest prize was a gift of \$500 to a charity of the winner's choosing, while they may select the recipient of the gift they would not be eligible for a receipt as they did not choose to make the gift. More information on the definition of a gift and tax credits can be found on the [Canada Revenue Agency](#) site.

“TRANSFER OF PROPERTY”

The gift must involve an absolute transfer of property to the charity. As donor advised funds have become increasingly popular in Canada and the United States over the last few years there has been scrutiny by tax officials with respect to whether these constitute a transfer of property. In particular if the donor continues to make investment decisions as well as distribution decisions without the recipient charity appearing to have the final say it may be debatable whether the charity has ownership.

“VALUABLE CONSIDERATION”

In general this refers to the gift causing a benefit to the donor greater than the value of the donation receipt. Examples might include tickets to charity galas, where the value of the dinner, prizes, entertainment, the consideration, must be deducted from the price of the ticket in order to obtain the value of the donation receipt. Where CRA finds proof that the consideration to be significant to the donor (greater than 80% of the value of the gift) than to the charity, a receipt is disallowed and in some cases may be identified as unregistered tax shelters and charities have been deregistered.

TAX IMPLICATIONS OF CHARITABLE GIVING

Canada's maximum combined tax rates for incomes greater than \$126,264 range from 39% (Alberta) to 48.25% (Quebec). The donation tax credit available for charitable gifts is 15% on the first \$200 and the individual's tax rate those gift amounts above \$200 and up to a maximum of 75% of the donor's annual income. Visit the CRA website for more information on [tax calculations](#) and [tax rates by province](#).

CRA also provides a [charitable donation tax calculator](#).

If a gift is made of capital property the donor would be subject to tax on 50% of the capital gains. The exceptions to this rule are for gifts of publicly listed securities, certified cultural property, ecologically sensitive land, and principal residences. In the case of any of these gifts none of the capital gains is taxable.

Any unused tax credits can be carried forward for up to five years. An individual can claim the donation tax credit for gifts made by their spouse or common-law partner in order to maximize the tax credit.

Gift Option 1: CASH

When a donor makes a gift of cash or property to a local community foundation, every dollar goes to work the moment it is given, providing vital current support to local programs and/or building endowment funds to provide support for the future.

A gift of cash gives a donor the satisfaction of seeing their gift at work today and knowing that lives are being touched right now because they cared.

GIFT EXAMPLES

- Cash
- Cheques or Money Orders
- Payments on Credit Card
- Pre-Authorized Contributions (PAC), usually paid monthly

BENEFITS TO THE DONOR

The following have been identified as the key reasons people give to charity:

- Has a relationship with a particular charity because of personal experience
- Has a wish to create a lasting legacy
- Desires to be a good person, feel compassion towards people and feel good about themselves
- Has a sense of social responsibility, a need to help others less fortunate
- Wants to give something back to the community
- Appreciates the tax advantages

MOST APPROPRIATE FOR

- Everyone (any age) who can afford to give up some principal and the income it would otherwise earn

EXAMPLE

Ms. Smith has net income of \$150,000 and is planning on making a \$10,000 gift.

Net income	\$ 150,000
Income tax	67,500
Donation tax credit	- 4,500
Net tax due	63,000

Charity receives	10,000
After-tax cost of gift	5,500

For illustration purposes a combined tax rate of 45% was used. Combined tax rates vary across the provinces.

ADDITIONAL INFORMATION

- [CRA charitable donation tax credit calculator](#)
- [Cash proceeds can also be used when donating stock options](#)

Note to reader: The purpose of this publication is to provide general information, not to render legal advice. In addition, any changes in the tax structure may affect the examples listed in this information. Your client should consult their own lawyer or other professional advisor about the applicability of this information to their situation.

Gift Option 2: APPRECIATED SECURITIES

Gifts of appreciated securities that are publicly listed have an added benefit of eliminated capital gains. Donors can benefit from this added incentive to reduce the real cost of their charitable giving or increase the amount of their gifts without increasing the cost.

The transaction is generally a simple electronic transfer of shares undertaken by the professional advisor but can include gifts of paper shares when that is what the donor holds.

The recipient charity will require a direction signed from the donor indicating they are the registered holder of the shares, and this document will also, in most cases, be used to inform the charity and their custodian of the imminent transfer.

GIFT EXAMPLES

- Publicly listed shares, rights and debt obligations
- Shares of a Canadian public mutual fund corporation
- Units of widely held Canadian mutual fund trusts

Note: Securities that are listed on Toronto, Montreal and tiers 1 and 2 (but not 3) of the TSX Venture Exchange qualify for this incentive, as do those that are listed on the NYSE, Nasdaq (excluding the Over-the-Counter Bulletin Board) and most other major foreign exchanges.

BENEFITS TO THE DONOR

- Immediate donation receipt for fair market value of security, generally determined as the closing price on the day the gift is received by the charity
- Favourable reductions in capital gains taxation
- Gifts can be given during donor's lifetime or after, through their estate

MOST APPROPRIATE FOR

- Donors with investment portfolios that include significantly appreciated securities

EXAMPLE

A donor wishes to make a \$10,000 gift.

Fair market value of stock \$ 10,000

Cost base of stock 2,000

Option 1: Sell stock and make \$10,000 gift from cash proceeds

Option 2: Gift stock to charity

	Option 1	Option 2
Sale/Gift of Stock	\$ 10,000	\$ 10,000
Capital gain	8,000	8,000
Taxable gain (50%)	4,000	0

Gift tax credit (45%)	4,500	4,500
Tax on gain (45%)	(1,800)	

Cost of gift	7,300	5,500

For illustration purposes a combined tax rate of 45% was used. Combined tax rates vary across the provinces.

Gift Option 2: APPRECIATED SECURITIES (cont'd)

DONOR STORY

“Our stock returns provided the means for giving to our community,” say Joanne and Gerald Johnson. That’s why they joined the many people who choose to contribute appreciated stock directly to their local community foundation.

Last year, the Johnson fund supported a local family outreach program, a homeless shelter, and a local theatre group. “Some of our charities are too small to accept direct stock gifts,” says Joanne. “Giving through the community foundation eliminates that barrier.”

The Johnsons received a tax credit based on the fair market value of their appreciated stock, while avoiding the capital gains tax that would otherwise arise from its sale. Gerald says, “It’s a simple, satisfying way to give.”

Gift Option 3: BEQUESTS

A Will used to be referred to as a “Testament”. It is not just a document divesting assets but a moral biography of the values of the individual. When one adds up all the accumulated assets and possessions of a lifetime, the impact on the lives of loved ones and their community can be powerful. Making a Will ensures an individual distributes their possessions as they see fit, rather than as the government determines.

They also have the power to ease the transition of their passing for those who survive them. When a donor includes the local community foundation in a Will, they are making a powerful public statement of values and leaving a legacy of support to help strengthen causes they care for and community programs for generations to come.

GIFT EXAMPLES

- Gifts funded with cash or cash equivalents
- Publicly Listed Securities (including segregated and mutual fund units)
- Proceeds from Retirement Plan Accumulations (RRSPs and/ or RRIFs)
- Gifts of Real Estate
- Gifts of other tangible property

BENEFITS TO THE DONOR

- Revocable during the donor’s lifetime by changing the Will
- Donation receipt for use in final income tax return against 100% of taxable income
- Satisfaction of providing for a future gift while retaining full control of property

MOST APPROPRIATE FOR

- All individuals (any age), but especially older persons with few or no heirs

EXAMPLE

Mr. Valois leaves a bequest of listed stock* to a public charity. On the date of death the stock has a fair market value of \$100,000 and a cost base of \$10,000. The donor’s net income in the year of death is \$250,000 not including the taxable capital gain on shares.

	With gift \$	Without gift \$
Fair market value of stock	\$ 100,000	\$ 100,000
Capital gain	90,000	90,000
Total net income (before capital gain)	250,000	250,000
Taxable capital gain (50% of capital gain)	45,000	
Total taxable income	250,000	295,000

Tax*	112,500	132,750
Tax credit on gift	(45,000)	0
Tax payable	67,500	132,750

Charitable gift	100,000	
Cost of gift	34,750	

Gift Option 3: BEQUESTS (cont'd)

EXAMPLE (CONT'D)

* In order to take advantage of preferential tax treatment of public securities, the donor's Will must either list specific shares or direct the executor to use appreciated securities to fund the intended charitable gifts. The second option is preferable so that there is flexibility for the executor and in the case of investment portfolio changes there is no need to change the Will.

For illustration purposes a combined tax rate of 45% was used. Combined tax rates vary across the provinces.

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ADDITIONAL RESOURCES

- [Providing a gift in your Will](#)
- [Creating a deed of gift](#)
- [Planned giving fundamentals Part III: Gift transfers and administration](#)

DONOR STORY

Irene Hoover and her husband owned a bakery and enjoyed a great deal of success and prominence in their hometown. After her husband passed away two years ago, Irene decided it was time for her to update her Will.

Part of her plan was to give something back to the community the Hoovers had loved as both residents and business owners.

"Not only did Jim and I love our town, but we felt as though we owed it a lot for the success of our business," says Irene.

With the help of her professional advisor, Irene revised her will to include an inheritance for the Hoovers' university-age niece, with the remainder creating the Hoover Bakery Fund, a Field of Interest Fund designed to support community development efforts. Because it will be endowed, her gift will provide a growing source of community funding for festivals, neighborhood revitalization, publicly accessible artwork, and other community improvements.

"I like knowing that when I'm gone, our legacy will be one of helping others strengthen our community," says Irene.

Gift Option 4: REAL ESTATE

A gift of real estate can enable a donor to make a bigger charitable difference than they thought possible. If given as a bequest it can reduce estate taxes and minimize or eliminate a burden placed on heirs.

Charitable gifts of real estate range from personal residences and vacation homes to rental properties, farmland, and commercially developed land.

A donor may also choose to give the gift immediately if they realize they no longer require a property, or they may consider retaining the use of the property during their lifetime and leaving the property to their chosen charity in the form of a charitable remainder trust and claiming a tax credit for the charitable portion of the gift.

GIFT EXAMPLES

- [Principal residence](#)
- Cottage or vacation property
- Investment property
- Farmland
- Vacant land
- [Environmentally sensitive land](#)

BENEFITS TO THE DONOR

- Donation receipt for fair market value of property
- Capital gains tax on 50% of gain (except for gifts of principal residence or ecologically sensitive land) is offset by donation receipt

MOST APPROPRIATE FOR

- Donors who no longer wish to retain vacation or investment properties

EXAMPLE

Mr. and Mrs. Marconi rarely use the cottage they purchased thirty years ago for \$60,000. They had considered selling it but decided instead to contribute it to a charity with which they have long been supporters. An appraisal of the property determines its current fair market value to be \$300,000. Their net income from other sources is \$150,000 per year, and both their combined tax rate and their combined tax credit are assumed to be 45%.

Tax on Gain

Capital gain recognized (\$300,000 – \$60,000)	\$ 240,000
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Taxable gain (50% of \$240,000)	120,000
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Tax on gain	54,000
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Tax Credit

Donation receipt	300,000
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Tax credit	135,000
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Net Tax Savings

Tax credit	135,000
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Tax on gain	– 54,000
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Net tax savings	81,000
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Cost of gift	34,750
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Gift Option 4: REAL ESTATE (cont'd)

EXAMPLE (CONT'D)

For illustration purposes a combined tax rate of 45% was used in the example. Combined tax rates vary across the provinces.

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ADDITIONAL RESOURCES

[Gifts of Real Estate](#)

Capital gain tax exemption for farms and privately owned businesses

There is a capital gain exemption for sales and gifts of Qualified Small Business Corporation ("QSBC") shares, qualified farm property, and qualified fishing property. The exemption level, which is indexed for inflation, is \$813,600 in 2015.

The exemption can flow through partnerships, trusts, and certain other investment vehicles. It is available to individuals while resident in Canada but not to non-resident persons.

To qualify, farm property must have been "used in the course of carrying on the business of farming in Canada" by the individual or a member of his or her immediate family, and the QSBC shares must be in a corporation incorporated or resident in Canada, which is not controlled directly or indirectly, by one or more non-resident persons, or one or more public corporations.

Also, the gain in respect to the disposition of one's principal residence continues to be exempt from taxation. Donors to whom these exemptions apply should be reminded to consider them when making a gift. Amounts deducted under section 110.6 reduce the total amount of taxable income and, consequently, the maximum contribution limit for the year.

Source:

["Planned Giving for Canadians: 3rd Edition 2015 Update"](#)

DONOR STORY

Sandra and Cliff Stewart owned a summer home and had no heirs interested in inheriting it. At first, the Stewarts planned to sell the home and give the proceeds to charity. But after talking with their local community foundation, they realized that giving the home directly to the foundation would create the biggest, most effective gift, while providing the greatest benefits to them as donors.

"It was a great option – we could give our house to charity through the foundation and start any type of fund, not to mention the tax benefits," says Sandra. The Stewarts learned they could also retain use of the home for their lifetime. "This way," Cliff explains, "we can spend our summers enjoying the home for the rest of our lives. And after our lifetime, the community foundation will use the proceeds to make grants from the Sandra and Cliff Stewart Fund."

Gift Option 5: LIFE INSURANCE

Life insurance is the one asset almost everyone has.

For the young parent with limited dollars, it is a way to protect the family against economic loss in the event of a parent's premature death. For the business owner, it may provide dollars to buy out a deceased partner's interest or compensate for the loss of a key manager. For older individuals, it provides the liquidity needed to settle an estate and pay taxes.

Life insurance has another important use: it is a popular and practical way to make a significant gift to charity. A gift to a community foundation will be wisely administered through their investment program which will result in a stable source of income to the foundation for years to come.

GIFT EXAMPLES

- Any whole life policy
- Many term policies
- Many group insurance policies

- Persons (any age) whose personal needs and family situation may be subject to change.
- Professionals with good cash flow, but limited capital assets.

*Advisors may want to suggest that donors use gifts of appreciated stocks to the charity to fund the premium payments as a way to take advantage of the preferential tax treatment – see [Gifts of Appreciated Securities](#).

BENEFITS TO THE DONOR

- Donation receipt for cash surrender value and any future premiums* paid on policies where the ownership is transferred to the charity. Small current outlay leveraged into larger future gift.
- If policy ownership rights retained by donor during lifetime and charity named as beneficiary:
 - donation receipt to estate for full value of death proceeds;
 - satisfaction of providing a future gift while retaining full control of policy.

MOST APPROPRIATE FOR

- Persons (generally ages 30-60) who:
 - have an older policy no longer needed, or
 - want to make a large gift but have limited resources.

EXAMPLES

A) Charity is designated owner and beneficiary

Mr. Palayew gives a charity a paid-up policy with a face value of \$100,000 and a policy value of \$48,000. His adjusted cost base in the policy is \$20,000.

Donation receipt	\$ 48,000
Tax credit (assuming 45%)	21,600
Taxable income (\$48,000 – \$20,000)	28,000
Tax on income	12,600
Tax savings (\$21,600 – \$12,600)	9,000

Gift Option 5: LIFE INSURANCE (cont'd)

EXAMPLES (CONT'D)

B) Charity is designated as beneficiary

Ms. Aziz would like to make a significant gift to her favourite charity and has a \$100,000 life insurance policy that no longer has a specific purpose and is evaluating whether to continue the policy and pay the annual premiums and gift the proceeds to the charity. Her net income in the year of her death is expected to be \$200,000.

	No insurance \$	Insurance \$
Net income	\$ 200,000	\$ 200,000
Tax (assuming 45%)	- 90,000	- 90,000
Donation tax credit		45,000
After-tax position of estate	110,000	155,000
Gift to charity		100,000
Total value to estate and to charity	110,000	255,000

The donor must also consider the annual cost of the policy premiums.

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ADDITIONAL RESOURCE

[Gifts of Life Insurance](#)

DONOR STORY

When his two daughters were young, Zachary Ding bought a life insurance policy to provide for his family in the event of his death. Now, he's 65, and things have changed. "My daughters are both grown and doing very well for themselves, and over the years, my wife and I have become fairly comfortable – she will no longer need the death benefit from my policy," says Zachary.

The Dings support and volunteer for a youth mentoring program as well as their local museum. "We've always planned to leave something for important community organizations," says Zachary. After talking with their financial planner, Zachary decided to give his life insurance policy to his local community foundation. "After giving my policy, I received a significant tax credit," says Zachary. "We had owned the policy for so long that we could choose to stop paying the premiums and maintain a sizable death benefit." The Ding Fund will be established with the proceeds from the insurance policy to benefit youth development and other community organizations.

Gift Option 6: CHARITABLE REMAINDER TRUSTS

Charitable remainder trusts (CRT) have been a popular gifting method in the United States for many years largely due to their special tax treatment.

While the taxing of these gift instruments is not as advantageous in Canada, they can still be of interest to donors who have significant assets and wish to continue the income of the assets for their or their heirs' lifetime and are interested in gifting the remainder to their favourite charity.

Gifts of residual interest are a similar structure but refer to gifts of real property, such as a principal residence or vacation home, where the donor will retain the use of the property during their lifetime or that of a specified heir and afterwards the property will be gifted to the charity.

GIFT EXAMPLES

- Investment assets for CRTs
- Principal residence, vacation property, artwork, cultural property

BENEFITS TO THE DONOR

- Donation receipt for the present value of the remainder interest
- Donor retains income generated
- Elimination of probate fees if trust is established during lifetime of donor

MOST APPROPRIATE FOR

- Donors who have considerable assets and still require income or wish to provide income for an heir but are interested in making a gift of the remainder interest
- Donors who wish to continue to enjoy property or art collections but would like to make a gift of the residual interest to their chosen charity

EXAMPLE

Ms. Nakamura transfers securities that currently pay her an annual dividend of \$12,500, have a fair market value of \$500,000 and a cost base of \$300,000 to a charitable remainder trust established with a trust company.

Ms. Nakamura is 65 and subject to a 45% combined tax rate. The present value of the remainder gift is calculated using the Canadian Life tables and a discount rate of 6%, resulting in a present value of the remainder of \$200,297. The trustee sells the current assets and invests in corporate bonds resulting in a net income after trust expenses of \$25,000.

Fair market value of trust assets	\$ 500,000
Cost base	200,000

Capital gains (50% \$200,000)	100,000
Tax on capital gains	45,000
Donation receipt	200,297
Tax credit on gift	90,134

Net tax credit	45,134

Gift Option 6: CHARITABLE REMAINDER TRUSTS (cont'd)

EXAMPLE (CONT'D)

For illustration purposes a combined tax rate of 45% was used in the example. Combined tax rates vary across the provinces.

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TYPES OF CHARITABLE REMAINDER TRUSTS

Charitable remainder trusts (CRT) can be established during the life (inter vivos) of the donor or through the Will (testamentary). The donor may decide to establish a trust where the beneficiary may be changed (revocable) or make the decision permanent (irrevocable). If the donor establishes a trust that meets the following conditions a charitable receipt may be issued by the beneficiary charity:

- Transfer is irrevocable.
- The property must be held by the charity at the time of transfer.
- Value of the residual interest is ascertainable.
- No encroachment on capital and any administrative fees are to be paid from income of the trust.

The trust may allow any of the above and still provide a gift for the charity, however as the value of the gift is not certain or ascertainable it is not eligible for a donation receipt.

DONOR STORY

James Assad was retired and in his late seventies. The stocks he owned had high market values, but they paid limited dividends. In addition to increasing his personal income, James was interested in giving back to the community in which he had lived his entire life.

James decided to transfer his securities to a charitable remainder trust that eventually would create a fund with his local community foundation.

"The income I receive from the trust is more than what I was collecting in annual dividends," says James. He also receives an immediate tax credit by making the community foundation the irrevocable beneficiary of the remainder.

"Plus," he says, "I know that when I pass on, I've done something good." In time, James' gift will create the Assad Family Unrestricted Fund to address ever-changing community needs.



SECTION 4

How Community Foundations can Help

How Community Foundations can Help

Community foundations are a resource for you, and your clients. We work with organizations in your community every day, so we can help your clients match their goals with local needs and opportunities.

We value relationships as much as you do, so we tailor giving options to meet your clients' personal needs. And because we are experts at the ins and outs of charitable giving, you can offer this added value to clients, quickly and easily.

We know giving and we know our communities. Community foundations have experience, expertise and a host of tools ready to help you advise clients on their charitable giving.

TEN REASONS PEOPLE CHOOSE COMMUNITY FOUNDATIONS

1. We are a **local organization** with deep roots in the community, and part of a nationwide movement whose support we build and share.
2. We bring donors to the table as **community builders**, working closely with them to align their philanthropic vision with the community's needs.
3. We identify **long-term needs** and opportunities and invest in solutions that let our communities guide their own future.
4. We take a broad and inclusive view of what a community is and **provide grants** to the widest possible range of organizations and initiatives.
5. We provide highly **personal and flexible service**, accepting a wide variety of assets and offering donors maximum tax advantage.
6. We build **permanent funds** and those that can respond to immediate needs, helping our communities ensure vital futures.
7. We **multiply the impact** of gift dollars by pooling them with other gifts.
8. We believe that diversity is strength, so we **bring the entire community together** to stimulate new ideas, build participation and strengthen community philanthropy.
9. We are **transparent and reputable stewards** of community resources, committed to being accountable, accessible and responsive.
10. We build **community vitality** – the unique and essential spirit that flourishes when people believe their community holds possibilities for everyone.

IS GIVING TO A COMMUNITY FOUNDATION RIGHT FOR YOUR CLIENTS?

1. Do they care deeply about their community?
2. Do they give to more than one charitable cause?
3. Are they interested in creating a personal or family legacy?
4. Do they want to make a difference but aren't sure where or how to start?
5. Are they considering the creation of a private foundation, but are concerned about cost and administrative complexity?
6. Would they like to stay involved in the use of their gift?
7. Are they interested in teaching their children about giving?
8. Do they want to receive maximum tax benefit?
9. Do they place a priority on sound financial management of their contributions?
10. Do they need a charitable giving plan that reflects life changes and if needed can be private and anonymous?

If you answered yes to any of these questions, your clients would benefit from knowing more about their local community foundation.

Meet Your Community Foundation



BURLINGTON FOUNDATION

Having recently celebrated our 20th Anniversary in 2019, we are proud to be a registered Canadian charity with a recognized history of addressing Burlington's most pressing needs and helping our community's donors build their charitable goals. With over \$19.5M in assets, we are dedicated to having a significant impact in Burlington by providing vital charitable grants, bringing people together to address important community issues, and fostering long-term sustainable giving by building legacy funds.



Connect Leaders

We bring passionate leaders and key, public and private organizations together across our community to actively identify & address important community needs.



Give Grants

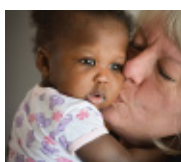
With our deep understanding of our broader community, we award vital grants to charities addressing identified needs. The Foundation works with donors to make these grants financially possible, matching donors up with needs that reflect their giving goals.



Build Legacies of Giving

For donors who'd like to leave a lasting legacy of giving, we help create and steward funds to support community's charitable needs now, and for years to come.

over **\$9 Million in Grants Gifted** Since Inception



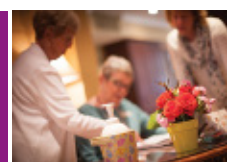
Giving hope and safe haven to pregnant young women in need.
Brilliant.



Ensuring children aren't facing hunger at home over the weekend.
Brilliant.



Building a social network for isolated seniors to feel connected.
Brilliant.



Ensuring terminally ill loved ones are supported in a home-like setting.
Brilliant.

Hundreds of Charities Supported

FOR MORE TOOLS AND RESOURCES VISIT

[Professional Advisors - Burlington Community Foundation](#)

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1 of 191 community foundations across Canada



Burlington Foundation is a non-profit registered charitable organization 857812739 RR 0001