



# Maximizing Impact, Minimizing Taxes

## The Legacy Philanthropy Advantage

*Philanthropy can serve as a strategic component of tax planning during a significant financial milestone such as a sale of a business, ceasing to be a tax resident, or the development of an estate plan. These events can substantially alter one's financial landscape, and without proactive planning, individuals and families may encounter significant tax liabilities and miss critical opportunities to support their philanthropic objectives.*

A large contribution to a philanthropic vehicle can offer considerable tax advantages by reducing the tax liability up front. Donors may retain a degree of influence over how the contributed assets are invested and utilized, ensuring alignment with their philanthropic intentions for years to come.

Donating appreciated publicly traded securities and other capital property to a registered public or private charity can eliminate the capital gains tax that would otherwise apply if the assets were sold, and the proceeds donated in cash. This approach enables the charity to receive the full market value of the gift while providing the donor with a charitable tax receipt for the fair market value of the assets contributed.

**In making philanthropic decisions, choosing the right vehicle is as important as choosing the cause you wish to support.** Below, we highlight and compare two of the most popular structures.

### Donor-Advised Funds (DAFs)

Donor-Advised Funds (DAFs) are designed to skip the red tape and allow you to start giving faster. DAFs are managed by public foundations and offer

a streamlined way to give to your preferred charities. They allow you to contribute assets as donations, receive an immediate tax deduction, and recommend grants to registered charities over time.

DAFs are easy to set up, typically requiring just a few days, and involve no setup fees, allowing you to simplify the tax planning process and start without further delays. There are minimum contribution requirements, which can vary depending on the public foundations. With DAFs, the public foundation handles regulatory compliance and governance. Donors can benefit from tapping into an existing system for administrative support as well as philanthropic expertise, all while avoiding hefty setup and ongoing costs. Your money stays invested and can grow tax-free, so you can give more over time.

Additionally, donors can choose to remain anonymous in their charitable giving, allowing you to enjoy privacy and peace of mind. The causes you wish to support may change from year to year allowing you the freedom to change your philanthropic priorities without feeling the pressure of making your choices public. While donors have advisory privileges regarding grant recommendations, the final approval rests with the public foundation's board, and grants can only be made to registered Canadian charities.

DAFs are the smart, savvy, and stress-free way to amplify your impact. They combine the best of both worlds — the tax benefits and the lifelong philanthropic

endeavours, with the simplicity and cost-effectiveness of a public foundation.

## Private Foundations

Private foundations are independent entities that give you more control over your philanthropy and governance. They require more time and legal costs to establish, but they offer unmatched power, control, and public recognition — the kind of platform that lets you shape your charitable legacy exactly the way you envision it.

Private foundations allow donors to run their charitable projects, create programs, and host events, as well as fund their favourite registered charities. The selection range of causes you can support is wider, expanding to individuals and foreign charities that fall under CRA guidelines. With private foundations, donors appoint a board of directors or trustees to oversee operations. This gives the donor full control of how the funds are invested and distributed. However, private foundations come with significant responsibilities and costs, including legal compliance, recordkeeping, investment strategy, and governance. Private foundations are also subject to rigorous reporting and public disclosure requirements.

Despite these challenges, a private foundation is the ultimate philanthropic vehicle for those who want full control, a lasting legacy, and the ability to do more than just write cheques. It's a commitment to serious giving — one that lets you shape your impact on your terms, with your family, and for generations to come. ■

## About the Authors

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