

## YOUR MONEY

MAY 28, 2009



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### **Giving to support charities, maximize benefits**

Canadians express their generosity and caring in many ways. Some support charitable causes by volunteering their time or skills while others, who don't have spare time, prefer to provide funding. For the latter, there are strategic and cost-effective tax planning opportunities accessible through Charitable Giving Funds.

Registered Charitable Giving Funds help donors achieve philanthropic goals while maximizing the potential benefits of the donation. These programs set up an endowment wherein the donor makes an irrevocable contribution. For anyone who has come into an inheritance or has recently sold real estate or a business, this is an excellent way to reduce taxable income.

Charitable Giving Funds provide a lot of flexibility because you can use a variety of donation methods including cash, securities, and/or insurance. If you are faced with significant taxes on appreciated securities, you can donate the securities in kind without paying capital gains taxes. Donation receipts are immediately issued for the full amount of the contribution and you have a tax benefit that can be carried forward for up to five years.

Investing in a Charitable Giving Fund is an alternative to a private foundation, providing a tax-efficient way of leaving a legacy for as little as \$25,000. Some funds enable donors to name it (e.g. The Smith Family Charitable Fund) and their successors. Donors can set grant recommendations and choose which registered charities receive donations so that the legacy stays true to its original vision, supporting any of a multitude of good causes.

To demonstrate how it might work I'll use a British Columbia charity. You're a client who has sold property and wishes to reduce the taxes owing. You have already established legal trusts to take care of

your family and now want to expand your philanthropic endeavors.

After meeting to discuss your goals, we determine that a registered charitable giving program is best. Using a combination of cash and appreciated securities you donate an initial sum, which is immediately applied as a tax credit against the sale of your property. You will benefit by the tax deduction for the cash and by eliminating capital gains taxation on the securities.

You're an avid horseperson, and want to leave a legacy in that community, so we search the Canada Revenue Agency website for registered charities associated with horses. We develop a list and then proceed to shorten it by interviewing the Boards of Directors and examining their balance sheets. We choose the New Stride Thoroughbred Retirement Foundation ([www.newstride.com](http://www.newstride.com)), which finds adoptive homes for noncompetitive and injured racehorses.

To determine how best to contribute, we then examine New Stride's needs and find they require a regular cash flow to cover the on-going care, maintenance, handling and retraining of the horses. Therefore we direct the endowment fund to pay out a portion of its returns to the charity once a year, keeping the remainder of the original investment in the endowment for future growth, providing long-term support.

While some may believe that Charitable Giving Funds are only for wealthy individuals to manage their philanthropic endeavours actively, the fact is that they are not just for the rich. One nice aspect of them is that they permit groups of people to pool their money in support of their favourite charitable causes.

When looking for a registered charitable giving program, discuss the investment options with your advisor to ensure they suit your investment



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preferences, and examine the fee structure closely. You do not want fees to erode your ability to give.

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