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## WELCOME & THANK YOU

A warm welcome to the clients who have recently joined us and thank you to the clients who mentioned us.

We also want to thank our existing clients for their continued loyalty to us.

## THE RBC DOMINION SECURITIES CHARITABLE GIFT PROGRAM

The RBC Dominion Securities Charitable Gift Program is designed to make it easy for you to support charitable causes important to you while potentially receiving significant tax advantages.

Through the Charitable Gift Program, you contribute to a fund managed by RBC Dominion Securities and administered by the Charitable Gift Funds Canada Foundation (“Gift Funds Canada”), an independent, non-profit charitable organization registered as a public foundation with the Canada Revenue Agency (CRA). Established in 2003, Gift Funds Canada specializes in the management and administration of charitable gift funds and is dedicated to helping you enhance and sustain your charitable giving to deserving organizations.

### THE PROGRAMS – AN OVERVIEW

Within the RBC Dominion Securities Charitable Gift Program there are two types of funds – Classic and Flex – each with extensive advisory rights, a range of investment options for gift capital, the ability to accept a wide variety of gifts (including complex gifts in-kind), grant cheques issued on demand and no annual disbursement requirements. You can also have a personal, customized online donation page for your fund.

- **Classic Charitable Gift Fund.** An endowment fund intended to provide

a steady, predictable flow of money for grant-making funded from a portion of accumulated net income earned by its invested Gift Capital while preserving that capital for a minimum of 10 years. This fund can be created with a minimum initial irrevocable contribution of \$25,000.

- **Flex Charitable Gift Fund.** A current fund with unlimited grant-making privileges designed to satisfy short-, medium-, or long-term philanthropic objectives using customized investment solutions. This fund can be created with a minimum initial irrevocable contribution of \$100,000.

### ROLES IN THE PROGRAM

Each program has a founding donor, and may have a grant advisor and/or fund successor. The founding donor establishes the fund, and has specific advisory rights to:

- Name the fund, and if desired the fund successors and grant advisors
- Recommend investment options for the Fund’s gift capital that reflect their philanthropic objectives
- Recommend grants to their favourite, qualified organizations from the available grant money in their Fund

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**RBC Wealth Management**  
Dominion Securities

## CHARITABLE GIFT PROGRAM

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- Change the fund name, appointments or recommendations during their lifetime consistent with regulatory and the Foundation's policies.

Fund successors assume the advisory rights on the Fund upon the specific direction, incapacity or death of the founding donors. At this point, they have the right to:

- Rename the Fund
- Name their own fund successors and/or grant advisors if desired
- Recommend grants to qualified organizations from the available grant money in the Fund
- Recommend that the assets of the original fund be split amongst multiple successors' Funds (existing or new), as long as the program minimums are met
- Change the fund name, appointments or recommendations during their lifetime, consistent with regulatory and the Foundation's policies

To help maintain the original intent of the fund, if no fund successors are named, then Gift Funds Canada will assume the role by default and make grants based on the grant-making pattern established during the founding donor's lifetime. If no grants were made during the donor's life then the Foundation will seek input into areas of interest from those who knew the donor or from researching published sources (e.g. obituary).

Grant advisors have the right to make grant recommendations during the donors' lifetimes. Grant advisors do not succeed the donors.

### MAKING CONTRIBUTIONS

Initial program contributions can begin at \$25,000 or more for the Classic program and \$100,000 for the Flex program. Any subsequent contributions must be \$250 or more to receive a standard receipt and thank-you letter. Smaller contributions are acceptable

and may be made using online and batch options. Once established, contributions to the Fund are accepted at Gift Funds Canada's discretion, consistent with its current policies and procedures, and are the property of Gift Funds Canada.

Gift Funds Canada accepts a wide variety of assets to establish or make additional contributions to a Fund, including:

- **Funds.** You can make Canadian-dollar contributions by cheque or wire. Cheques should be made payable to the Charitable Gift Funds Canada Foundation, and your account will be credited with the full value of your cash contribution.
- **Publicly listed securities.** Appreciated securities can be transferred in-kind from your existing investment account to your foundation account.
- **Other in-kind gifts.** Gift Funds Canada has a gift acceptance policy that allows it to consider a wide range of gifts-in-kind (including mutual fund units, bonds, private shares, options, real estate, thinly-traded shares, existing and new life insurance policies and other asset types) as long as there is a practical liquidation plan in place to monetize the contributed assets, or a customized solution that satisfies both the philanthropic objectives of the donor and Gift Funds Canada's policies and procedures.

If a donor chooses to contribute a life insurance policy during their lifetime by transferring ownership to Gift Funds Canada, they will receive donation receipts for the policy's fair market value FMV, if applicable, and any premium payments made during their lifetime either directly to the insurance company or through the Foundation, once the Foundation owns the policy.

- **Third-party contributions.** Other individuals and organizations can contribute to your charitable gift fund.
- **Deferred contributions.** Your charitable gift fund account can be named as the

beneficiary of a charitable bequest, qualified retirement plan (RRSP or RRIF), charitable remainder trust or a private foundation. The Charitable Gift Funds Canada Foundation should be identified as the recipient of all such deferred contributions and specifically directed in writing to your charitable gift fund account.

When setting up a deferred contribution, you should first consult with your tax, legal and Investment Advisors. To open an account with a deferred contribution, you must complete a beneficiary gift agreement form, name your fund, and if desired choose a fund successor and grant recipient(s).

### DONATION RECEIPTS AND VALUATION OF CONTRIBUTIONS

The Foundation will mail donation receipts for all qualified and accepted individual and corporate gifts valued at \$250 or more. At its discretion, the Foundation may agree to issue electronic or hard-copy receipts for contributions under \$250, on a fund-by-fund basis prior to handling.

Donations to the Foundation generally qualify for an individual income tax credit or corporate tax deduction for the year in which the gift is made. Individuals may claim a credit up to a maximum of 75% of net Canadian income in any one year. The claim may be 100% in the year of death and the year immediately preceding death. Unused donations can be carried forward (but not backward) for up to five years beyond the year of the donation, subject to the 75% limit in each year claimed.

### VALUATION OF A CHARITABLE GIFT FUND

At any time, the value of a Fund is the sum of all contribution plus investment income (including realized/unrealized capital gains, losses, interests and dividends), less fund expenses and grants made. A charitable fund's assets are revalued monthly and fund activity (such as contributions made, grants dispersed and expenses incurred) is recorded. A fund activity report showing the value and

activity of each Fund is published quarterly and sent to the primary contact on each fund as well as to the fund's Investment Advisor.

## GRANT-MAKING

The source of funds available for grant-making varies from program to program (see chart on last page). There is no requirement for a charitable gift fund to make grants each year. If the balance of funds available for grant making in a CGF is not disbursed in a given year, then it will roll forward into the next calendar year. You can recommend an unlimited number of grants annually, each of which should be \$250 or more. Grants can be made to qualified grant recipients.

## RESTRICTIONS ON GRANTS

Gift Funds Canada is unable to approve grants to individuals or unqualified organizations not registered with CRA, or where some personal benefit will result.

## GRANT CORRESPONDENCE

Grants are made by cheques that bear the name of Gift Funds Canada and are mailed to recipients. A covering letter containing information provided on the grant recommendation form will accompany each cheque. The typical letter includes the amount and purpose of the grant; wording for the recipient to use to publicly recognize the grant; and the address of the donor, grant advisor or fund successor. Partial or full anonymity, or a unique customized letter may also be requested on the form.<sup>1</sup>

## GRANT REPORTING

Grants disbursed are reported to donors on the quarterly fund activity reports. All grants made in the year are listed on the year-end report.

## SUCCESSORS

You may appoint one or more fund successors to your Fund. If your account is maintained jointly, upon the death of

one founding donor, the surviving donor-advisor retains the rights to recommend grants and designate successors. Successors become effective only after the deaths or incapacity of all the donor-advisors named on your account (for example, both you and your spouse). A successor must provide written notification and sufficient proof to Gift Funds Canada of the original donor's death or incapacity. They will then assume all the rights and duties of a founding donor, including the ability to recommend subsequent grants.

In the event that there is no surviving founding donor or documented successor, Gift Funds Canada will continue to award grants to eligible charities from your account, consistent with your original intent and stated areas of interest.

## HONOURING YOUR ORIGINAL INTENT

By identifying certain charitable organizations, areas of interest and geographic areas when opening your account, you help the Foundation honour your original intent when making charitable grants. For example, you can name a specific charity, research into a cause or your local community services. The Board of Directors will direct grants from the account consistent with your stated charitable preferences.

## INVESTMENT OPTIONS

Each Fund's assets are invested separately through unique segregated investment accounts. Donors are able to work with their trusted Investment Advisor to recommend a wide range of investment solutions that can meet their philanthropic objectives. Investments must satisfy Gift Funds Canada's investment policies and be within the parameters established for each of the charitable gift fund programs (see Appendix).

The Foundation will invest the donor's

contribution as soon as administratively possible. The date of purchase may be delayed by market deadlines and trade settlements. The value of the investments in a Fund will be based on the market value of securities held. This value will include any realized or unrealized capital gains or losses.

The Foundation's Board of Directors has the sole responsibility and authority for investing the Foundation's assets and can, without notice, remove or add to its pre-approved list, mutual funds and/or other investment vehicles in which it invests from time to time.

Note that there is no assurance that any investment option will achieve its stated objective. Market fluctuations may cause the value of securities in a charitable gift fund account to be worth more or less than their value when they were initially purchased by the Foundation.

## ALLOCATING THE FUND'S OPERATING EXPENSES

The Foundation's operating expenses are allocated across all charitable gift funds in accordance with the type of charitable gift fund program chosen. These costs are calculated and accrued monthly and transferred to the Foundation's operating fund periodically (no less than once a year). RBC Dominion Securities will receive an investment management fee for the services it provides in connection with a charitable gift fund account.

## INCOME TAX CONSIDERATIONS

Your contributions to Gift Funds Canada through the RBC Dominion Securities Charitable Gift Program can be claimed as donations for income tax purposes.

Donations to the Foundation generally qualify for an individual income tax credit or corporate tax deduction in the current year as a charitable gift made to a registered charity, subject to certain limitations. Gift-in-kind donations give

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<sup>1</sup>Partial anonymity means that donors may request that only certain information be shared with a grant recipient, with the understanding that no public acknowledgement/recognition will result. Full anonymity means that Gift Funds Canada will not share with a grant recipient, any information about the donor(s) ensuring that the risk of public acknowledgement is eliminated.

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rise to a deemed disposition of the asset at its FMV. This is the value that will appear on the donation receipt. Please speak to your tax advisor for more information.

**GIFTING PUBLICLY LISTED SECURITIES**

Gifts of publicly listed securities may be eligible for enhanced capital gains treatment. As with other gifts-in-kind, donated securities are deemed to have been disposed of by the donor immediately before the donation to trigger a gain or loss for the investor. The Tax Act provides for a taxable gains inclusion rate of 0% for gains on publicly traded stocks, bonds, mutual funds and other securities donated in-kind. A similar outcome and tax benefit may be achieved from the exercise of an employee stock option, provided the securities are donated within 30 days of exercise in the same calendar year.

**CONTRIBUTION LIMITS**

For individuals, the maximum amount of charitable contributions that can be claimed for credit in any one year is 75% of net income (100% in the year of death and the year immediately preceding death). Unused contributions can be carried forward for up to five years beyond the year of the gift, subject to the 75% limit in each year claimed.

**TAX TREATMENT OF INVESTMENTS AND GRANTS**

The donor is not subject to tax on any

income or capital gains earned within their charitable gift fund. This is because the Foundation owns the assets in your fund and as a non-taxable organization can accumulate investment income tax-free. When the Foundation makes a grant on behalf of an individual Fund, it should be understood that the Foundation is making a grant from its own assets. Donors cannot claim an additional donation credit or deduction (if the donor is a corporation) for these grants at any time.

Average daily account balance	Classic program fee schedule	Flex program fee schedule
Up to \$2,500,000	0.75%	0.95 %
\$2,500,001 to \$5,000,000	0.65%	0.85 %
\$5,000,000 and up	Determined on a case-by-case basis	Determined on a case-by-case basis

Program	Description	Source of Funds Available for Grant-Making	Investment Policy	Initial Gift
Classic CGF	An endowed fund to satisfy long-term philanthropic objectives. The intention is to preserve gift capital for a minimum of ten years while providing a steady, annual stream of grant money for disbursement.	The Classic fund will provide money for grant-making that is calculated annually and funded from the accumulated net investment income PLUS any portion of gifts designated by the donor as “available for grant-making.”	Conservative, long-term growth	\$25,000 (minimum)

Program	Description	Source of Funds Available for Grant-Making	Investment Policy	Initial Gift
Flex CGF	A current fund with unlimited grant-making privileges designed to satisfy short to medium term philanthropic objectives.	Gift capital and accumulated net investment income may be disbursed on the recommendation of the donor/ grant advisor.	Fund assets will be invested in a way that is consistent with the donor’s philanthropic objectives as described in the original charitable gift fund agreement that may be updated if the objectives change.	\$100,000 (minimum)

*Prior to making any large gift, please consult a qualified legal, tax or other professional advisor. For more information on establishing a Charitable Gift Fund, or to begin the setup process, please contact us today.*



## HOT TOPICS IN 2014

### REGISTERED DISABILITY SAVINGS PLAN

The Registered Disability Savings Plan (RDSP) is designed to assist persons with disabilities in saving for their long-term financial needs. It offers tax-deferred investment growth, generous matching grants and bonds as well as an opportunity for family members to assist with the contributions. This article will explain how the plan works and looks at some ways of funding it.

### U.S. ESTATE TAX FOR CANADIANS IN 2014

Did you know that even Canadians who die owning U.S. assets – such as stock of a U.S. corporation, a yacht in Florida, or a ski chalet in Colorado – may be subject to U.S. estate tax even though they are not U.S. residents, citizens or green card holders? This article discusses the U.S. estate tax exposure that may exist for Canadian residents should they die owning U.S. property, and highlights common estate planning strategies that you may be able to use to minimize or eliminate your exposure.

### HENSON TRUSTS

This article outlines several strategies, not all of which will apply to your particular financial circumstances. The information is not intended to provide legal or tax advice. To ensure that

your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a lawyer, notary or accountant, as applicable, before acting on any of the information in this article.

### FOREIGN REPORTING REQUIREMENTS IN CANADA

For many years, Canadian residents have been required to annually disclose their foreign assets to the Canada Revenue Agency (CRA) if the assets' cumulative cost exceeded C\$100,000 at any time in the calendar year. The assets are disclosed through the filing of a Form T1135 – Foreign Income Verification Statement. The 2013 Federal Budget included a number of measures to combat international tax evasion and aggressive tax avoidance including a revised Form T1135. The revised form requires the disclosure of significantly more information than previously required. In an effort to assist taxpayers in transitioning to the new reporting requirements, the CRA has provided transitional reporting guidance for the 2013 tax year. The deadline for filing the T1135 for 2013 has been extended from the income tax return filing deadline for the year to July 31, 2014.

*For the full article, please contact Shelley directly.*

# PERSONAL TOUCH



Mike's son and nephew after hockey.



Carolyn and her family on a ski holiday.



Shelley and her daughter in Miami.



Tony enjoying bass fishing recently.. He wishes he could do it more often.

*Thank you for your ongoing loyalty to the Broxterman Team of RBC Dominion Securities. We would be pleased to provide a complimentary wealth management assessment or financial plan to any friend, family member or colleague you refer to us.*

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