

Make the most of your family's charitable legacy

When it comes to charitable giving, you have a number of different options that can help you achieve your philanthropic goals, while at the same time providing you with some tax relief.

DONATING SECURITIES

The federal government has introduced several new tax incentives in recent years to encourage charitable giving by Canadians, including the elimination of capital gains tax when you donate publicly listed securities to qualified charities. Not only do you receive a tax break, you also receive a donation receipt equal to the fair market value of the donated security.

For example, due to the donation tax credit, your out-of-pocket cost for making an in-kind donation of a security worth \$100,000 with a cost of say \$40,000 is approximately \$55,000. However, if you sold the security first and then donated the cash, your out-of-pocket donation cost would be \$70,000 due to paying about \$15,000 in capital gains tax.

Furthermore, if a corporation makes an in-kind donation of a listed security to a qualified charity, in addition to the capital gains exemption and the fair market value donation receipt, the corporation can also pay a tax-free dividend to the shareholder equal to the full capital gain.

Your advisor can help you determine which securities would be best suited for donation.

CHARITABLE FOUNDATION

Another tax-effective charitable giving strategy is setting up your own charitable foundation.

› A private foundation gives you a high level of control and flexibility with respect to charitable giving, and enables you to create an enduring charitable legacy. You can make donations to your own foundation, and you will receive a donation tax receipt like any other donation. In addition,

as of March 19, 2007, in-kind donations of publicly listed securities to a private foundation are eligible for a full capital gains tax exemption. Furthermore, you will receive a donation tax receipt equal to the fair market value of the security at the time of the gift.

While providing a great deal of control and flexibility, a private foundation also involves certain costs and administrative requirements that must be considered. For example, to maintain its charitable status, your foundation must meet its annual disbursement quota – 80% of all donations received in the previous year annually, plus 3.5% of the foundation's assets, must be spent on charitable activities or on gifts to qualified donees. There are exceptions to the 80% expense requirement, for example, if the gift was received on the direction that it be held by the foundation for at least 10 years.

› An alternative to a private foundation is making tax-deductible donations to a public foundation. Public foundations are very similar to private foundations in many respects, but involve less cost and administration. Although you do not have outright control now, you can still recommend to the public foundation's directors which charities should receive grants. As of May 2, 2006, in-kind donations of publicly listed securities to a public foundation are eligible for the full capital gains exemption. You will also receive a donation tax receipt equal to the fair market value of the security at the time of the gift.

Speak to your advisor on ways that RBC can help you set up your own foundation.

Depending on your age and needs, there are other creative charitable giving strategies, especially those using life insurance to reduce taxes and significantly increase your charitable contribution after death to your favorite charity. Speak to your advisor if you want more information on charitable giving and legacy planning strategies.