



**Wealth Management**  
Dominion Securities

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# Make the most of your family's charitable legacy

## Strategy 7 – Charitable giving

When it comes to charitable giving, you have a number of options that can help you both achieve your philanthropic goals and minimize your taxes.

### 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, but you also have an opportunity to give more to your favourite charity.

Furthermore, if a corporation makes an in-kind donation of a listed security to a qualified charity, in addition to the ability to claim the zero inclusion rate on any capital gain generated as a result of the donation and the charitable donation deduction, the corporation may also be able to pay a tax-free dividend to the shareholder equal to the full capital gain.

If you prefer this approach, we can help you determine which securities would be best suited for donation.

	Donate shares directly	Sell shares and donate cash
Fair market value of donation (a)	\$100,000	\$100,000
Adjusted cost base	\$40,000	\$40,000
Capital gain	\$60,000	\$60,000
Taxable capital gain	0	\$30,000
Tax on capital gain @ 45% (b)	0	\$13,500
Tax savings from donation tax credit (c)	\$45,000	\$45,000
<b>Total cost of donation = (a) + (b) - (c)</b>	<b>\$55,000</b>	<b>\$68,500</b>

### Charitable foundation

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

A private foundation gives you a high level of control and flexibility with respect to charitable giving, and can help you create an enduring charitable legacy. You can make donations to your own foundation, and receive a donation tax receipt like any other donation. In addition, the capital gains tax triggered on the donation of in-kind publicly listed securities to a private foundation is eliminated.



While providing 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.

A low-cost alternative to starting a private foundation is making tax-deductible donations to a public foundation. Although you do not have outright control, you have fewer administrative demands and can still recommend to the public foundation's directors which charities should receive grants. In-kind donations of publicly listed securities to a public foundation are also eligible for the zero capital gains inclusion rate.

Depending on your charitable wants and needs, there are other creative giving strategies, including those using life insurance, which can reduce taxes and help you make the most of your family's charitable legacy.

**Please contact us for more information about charitable giving.**

#### **Family wealth management tip**

The RBC Dominion Securities Charitable Gift Program is specifically designed for individuals and families wishing to support charitable causes in a meaningful way, without the time and cost associated with establishing a private foundation. It is an easy, convenient way to support charitable causes you care about, while receiving important tax benefits.

Through this program, you can make initial and ongoing contributions to a charitable gift fund administered by Gift Funds Canada, one of the leading charitable foundations in the country. Ask for a copy of one of our publications about the RBC Dominion Securities Charitable Gift Program and how this type of charitable giving may be right for you.