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# the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

## Four things to consider before making a charitable donation

Please contact us for more information about the topics discussed in this article.

Whether it's supporting a cause that's important to you, helping those in need or pursuing your personal charitable values, find out how proper planning can help drive impact with your giving.

Canadians are very generous in their support of charities. Yet, the majority give to charity without thinking critically about how to maximize their impact. For some, it may be quite overwhelming to navigate through all of the causes that pull at your heartstrings and the charities doing good work. One of the unique things about charitable giving is that there are no right or wrong decisions—only the right decisions for you.

Before making a charitable donation, here are four key areas to consider:

### 1. The donation vehicle

For the majority of Canadians, the most common way to support charities is to donate directly, using cash on hand. In many cases, the decision around how much to donate is informed by an individual's or family's day-to-day cash flow and expenses, as opposed to stepping back and taking a planned look at their giving—taking into account their overall wealth.

Rather than making out-of-pocket donations, you may be interested in building a more personalized and strategic approach by donating to charity through a foundation structure. If you were to establish a private foundation, or a donor-advised fund through a public foundation, it would allow you to separate the decision around the amount you want to donate from the decision around which one, or several, charities you'd like to support.

Generally speaking, a foundation structure is used for larger gifts (\$25,000 and up). A private foundation may be suitable if you're willing to make a greater time commitment (including the administration and compliance) and want a more public face to your charitable activities. A donor-advised fund through a public foundation provides an appealing alternative for some, as it enables donors to create an [enduring charitable legacy](#) with less demand on time and a lower cost than a private foundation.

RBC offers an in-house donor-advised fund, the RBC Charitable Gift Program through Charitable Gift Funds Canada Foundation (a public foundation). The RBC Charitable Gift Program is specifically designed for individuals and families who wish to support charitable causes without the costs associated with establishing a private foundation. As the principal donor of your charitable gift fund, you may recommend grants to the charitable organization of your choice. Your RBC advisor would continue to work with you to develop an investment strategy for your gift contributions. A charitable gift fund is designed to create a lasting family legacy, and like a private foundation, you can give your fund a unique family name.

If you'd like to move towards a more formalized approach to your charitable giving, reach out to your RBC advisor to learn more about your options, and discuss whether a foundation might be the right option for you.

## 2. What assets to donate

Once you've determined the approximate amount of your donation, you may want to look at your balance sheet to see which assets make the most sense to donate to charity. For example, while donating cash is the most widespread and straightforward form of charitable giving, it's also possible to donate many other assets that you've invested in. There are many different types of assets that can be donated—for example, many charities will accept securities from your investment portfolio, some will even accept jewelry, art, collectibles, land, private company shares or even life insurance policies.

In particular, donating appreciated publicly listed securities may present a tax-efficient opportunity for some, as donors may benefit from the elimination of tax on any accrued capital gains, as well as the donation tax credit. These donations can be made during your lifetime, or upon your passing through your estate plan.

If you do decide to donate something other than cash, you should contact the charity first to ensure that they're able to accept the donated assets in-kind. In addition, when you transfer appreciated assets directly to a charity, this triggers what's called a "deemed disposition" for income tax purposes and, unless there's a tax exemption (e.g. the in-kind donation of securities, and some gifts of culturally significant art and ecologically sensitive land).

Given the wide range of options, as well as the specific considerations for each, this is where your qualified tax advisor can be an invaluable resource to help navigate through the restrictions, taxes or potential advantages or drawbacks of both the type and timing of gift you want to pursue. To help you in determining which assets to earmark for donation, your RBC advisor can work together with your tax professionals.

## 3. Your charitable giving strategy

An important starting point if you want to be more intentional with your charitable giving is to reflect on your current giving approach, your core beliefs and values, and what causes or organizations are important to you. For example, you or a loved one may have a personal history with a specific charitable organization, or you may have a strong commitment to a certain cause, such as preserving the environment or promoting the arts. These reflections will help to form the basis of your charitable planning and provide direction for [structuring your charitable giving](#) in a manner that achieves your objectives.

As with any strategic plan, there are a few components to a well-crafted charitable giving strategy, including:

- Creating a charitable giving mission statement, informed by your values and the causes you care about
- Establishing a charitable giving budget
- Learning how to identify and vet effective charities that align with your strategy
- Effectively engaging others in your charitable giving

Contact your RBC advisor for further information if you're interested in learning more about the donation of publicly traded securities or looking at your overall financial picture to determine what assets might make the most sense to donate.

If you'd like to embark on the journey of creating your charitable giving strategy, please reach out to your RBC advisor who can provide you with a copy of our guide, *Setting a charitable giving strategy: A guide for your charitable giving journey*. This resource is designed to be a self-guided toolkit, one that you can engage with at your own pace, in your own way.

#### 4. Conducting due diligence of a charity

With a clearer sense of the kind of impact you're hoping to have, a final consideration is how to determine what charity or charities are the "right" one(s) for you to support. In the charitable world, one of the key measures is impact—are they doing the right things to impact community in the way you want to support it? How one determines if a charity is effective depends so much on what it's setting out to do. For example, you wouldn't evaluate a community foodbank with the same criteria as a charity conducting research to find a cure for Alzheimer's disease. What matters most is whether the information the charity provides feels right for you and your charitable giving strategy.

*The Stanford PACS Guide to Effective Philanthropy* outlines some suggestions about where to go for information:

- "Search for materials available online—from the organization itself or from third parties.
- Talk to people you know who have contributed to or worked with the organization.
- Ask the organization for materials that are not available online.
- If you are prepared to make a significant gift, if the information is positive, meet with the [charity's] leaders."<sup>1</sup>

At the end of the day, the ultimate decision is yours to make and the impact, yours to cherish. Some may find it helpful or motivating to view this as a journey, where each year you learn, and refine, your charitable giving decisions based on the information you receive and experiences you have with the organization, or organizations, you've chosen to support.

Creating a meaningful impact through your available charitable giving budget can be complex. Whether you're just embarking on this journey, or you're looking to bring more strategy and sophistication to your giving, your RBC advisor is here to support you.

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1. *The Stanford PACS Guide to Effective Philanthropy*. Stanford PACS Center on Philanthropic and Civic Society. 2020. Pg. 135. <https://pacscenter.stanford.edu/research/effective-philanthropy-learning-initiative/donor-guide>.



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