

The Navigator



Wealth
Management

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES



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Creating a lasting impact

Incorporating charitable and philanthropic giving into wealth transfer planning

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Supporting a cause that's important to you.

Doing a good deed to **pay it forward.**

Helping those in need after a life-changing disaster or event.

Giving back by volunteering your time.

Making a difference by donating to a charity you are inspired by.

These are just some of the ways many of us give — to our communities, to charitable organizations, to causes that are near and dear to our hearts. Yet while the majority of Canadians — over three-quarters of those age 15 and over — do make some form of charitable donation over the course of the year,¹ giving typically tends to be more reactionary and sporadic in nature, and most individuals generally don't incorporate giving into their overall wealth or estate planning.

But if you take a step back and consider why you choose to give and what drives your charitable endeavours, the answer may likely be that it provides an opportunity to support areas and causes you believe in and to express your values in an impactful way. And for those who want to strengthen and preserve those values and beliefs over the course of their lifetime, and potentially also after their eventual passing, this is where it becomes important to consider the benefits that advance and structured planning around charitable giving can offer. While the tendency is often to think of wealth transfer primarily in the sense of passing down wealth to the next generation of family and loved ones (regardless of whether your intentions are to do so during your lifetime, through your Will, or a mixture of both), building giving into your wealth transfer plans creates the ability to streamline your giving in a way that meets individual and family intentions, offers potential tax benefits, and may greatly contribute to creating an enduring legacy.

A giving nation

On a global scale, Canada's charitable and non-profit sector is the second-largest in the world.²

Finding the right balance in giving

Giving can take on many forms, but it generally exists within two main categories. On one end of the spectrum is on-demand charitable giving, which may be charitable donations that are completely spontaneous or in response to an immediate need, opportunity or request. This may also include regular donations made monthly or annually, or perhaps at a specific time of year, such as the holidays.

On the other end of the spectrum is strategic philanthropy, which is a more structured and targeted approach to giving. Instead of being more responsive and unplanned, like charitable giving often is, philanthropy is proactive and involves establishing a long-term plan for giving in a way that defines and works towards individual or family goals. This form of giving provides the ability for individuals to map out their giving in a way that may better reflect their beliefs and values, and it also allows individuals to organize how and when they give — and through what means — creating the ability to generate a lasting impact both during one's lifetime and after.

Regardless of what your personal beliefs are and the level of emphasis you place on giving in your life, there are a number of ways to incorporate philanthropic giving into your wealth transfer plans. And further to the tax advantages it may offer, a more strategic approach can also result in more meaningful giving for the donor and create a greater impact on society over the long term.

Giving by the calendar

According to the Canada Helps 2017 Giving Report, of all donations that are made over the course of the year,

35 percent happen in December, with 10 percent on the last three days of December alone.³

Reflecting on your personal beliefs and values

When considering any form of wealth transfer, whether it's passing wealth to heirs or incorporating charitable or philanthropic giving into your plans, it's crucial to thoroughly assess and prioritize your own potential and certain financial needs before making any planning decisions. After carrying out detailed wealth planning, if you determine that this form of giving is something you can afford and want to pursue in a more strategic way, there is a range of options available.

An important starting point for all individuals is to reflect on their current giving approach, their core beliefs and values, and what causes or organizations are important to them. 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.

Thinking about these aspects will help to form the basis of your planning and will provide clearer direction for structuring the most ideal timing and approach to achieve your objectives and express values in a way that balances personal, family and tax considerations.

Note: To ensure your specific needs and goals are properly accounted for, it's crucial to consult with qualified tax and estate planning advisors, as they can provide planning guidance around how charitable giving could fit into your overall financial and wealth transfer picture, as well as the potential amounts, timing and type of your gift.

Did you know?

Among Canadians, 49 percent of donors give to charities in the social services category and 36 percent give

to those in the health category.⁴

Whatever the drivers behind your giving are, some important personal and strategic questions to examine include:

- How much time and/or financial support are you comfortable committing to a charitable endeavour or giving now and over the long term?
- Do you feel strongly about continuing to support a cause or an organization not only during your lifetime, but after as well?
- What are the potential income tax considerations associated with giving during your lifetime versus through your Will?

Tax considerations

As a means to encourage Canadians to give charitably, there are some government income tax incentives available. Generally speaking, when a charitable gift is made to a registered charity, a donation receipt is issued for the fair market value of the donation, net of any benefit received (for example, the cost of the meal at a charity dinner). You may then be able to claim a donation tax credit, in the year of the gift.

The amount of the donation tax credit that can be claimed is dependent upon the value of the donation, because it cannot exceed 75 percent of your net income for tax purposes; in Quebec, the limit is 100 percent of net taxable income. Donations can be carried forward for up to five years, so even if the full donation cannot be used in one tax year, the excess amount may still be claimed in a future tax year. For donations that take place in the year of death and the year immediately preceding death, the limit is 100 percent of net income for tax purposes. And, when a donation is made to a registered charity under your Will, your executor

may have some added flexibility in their use of the donation tax credit.

Options and timing for giving

Depending on your circumstances and goals, certain approaches may offer immediate or long-term tax benefits, and at the same time, may provide structured options that help to fulfill your charitable intentions whether you choose to give now, later or ongoing through your lifetime and beyond.

For example, while donating cash is the most widespread and straightforward form of charitable giving, it's also possible to donate non-cash gifts, including capital property, art and other collectibles, eco-gifts, private company shares or even life insurance policies. In particular, donating 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.

In many cases, these donations can take place during your lifetime, but there are also options for making specific charitable bequests in your Will, whether it's a residual gift (a percentage of what is left of your estate after other gifts and debts have been paid), a specific gift (a fixed sum of funds), or a specific item of value (such as art, antiques or jewelry). It's also possible to make a gift on your death by naming a registered charity as the beneficiary of certain plans and policies, including your Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Tax-Free Savings Account (TFSA) or your life insurance policy.

Those who may be interested in creating a more ongoing pattern of giving or who wish to build a more personalized approach may want to consider either a private charitable foundation or a charitable gift/donor-advised fund. Generally speaking, private charitable foundations may

be suitable if you are willing to make a greater time commitment and devote additional resources to charitable activities, whereas donor-advised funds provide an appealing alternative for some, as they enable donors to create an enduring charitable legacy with lesser demand on time and lower cost than a private foundation.

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.

For additional details on the various options and types of giving, please view the RBC WM Charitable Giving guide.

Planning for your legacy intentions

For those who've established a charitable gift fund with a public foundation, one of the potential advisory rights could be the ability to recommend grants from the assets available for grant making to qualified organizations. With this in mind, it's important to give thought in advance as to how you would want grants to be distributed if you were to become incapacitated or upon your passing, and this can be accomplished through completing a "Legacy Intention Form" or by writing a letter of intentions. This information can provide insight into your charitable objectives, including identifying specific grant recipients, preferences for programs or purposes, how amounts should be divided among recipients and the value of your grants. In general, it provides an opportunity to clearly state your overall charitable priorities and interests, and any other information that you would like considered in future granting decisions for your fund.

Preserving charitable values

While basic definitions of a "legacy" often focus on the passing of money

and property to the next generation, for many individuals, building a lasting legacy goes well beyond these aspects. Many view a legacy as being much more holistic, and it often includes everything from beliefs and values to intentions and wishes to traditions and reputation. In this regard, further to passing down wealth to heirs and expressing your intentions that way, structured giving may present another ideal option to help solidify your legacy in the overall sense. Whether you have a strong commitment to philanthropy or you lean more towards a simpler legacy gift, planning your charitable and philanthropic giving in advance will help to assure that the areas you feel strongly about during your lifetime continue to receive support and that your commitment to certain causes can live on in the years to come.

And in much the same way as transferring wealth to heirs, it's beneficial to make your charitable intentions known among family members and heirs and to discuss your individual and family values. Doing so will help to provide clarity around the wealth transfer decisions you're making, and may also present an opportunity to develop a shared sense of motivation and purpose in giving back within your family. This in itself can be a very powerful catalyst for embedding those values through multiple generations and thus further strengthening a legacy that endures.

Did you know?

While recent statistics are limited, data suggests that only approximately 4 to 7 percent of Canadians include a charitable gift in their Will.⁵

The RBC Charitable Gift Program enables individuals and families to make meaningful and ongoing contributions to a charitable gift fund managed by Gift Funds Canada. From a legacy standpoint, it provides the opportunity to express and strengthen charitable values during

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

one's lifetime and then preserve them for generations to come. Multiple generations can get involved in the process and collectively discuss how to direct the contributions each year, and unlike a one-time, major gift to a charity, this type of charitable giving can live on for years and potentially indefinitely through a lasting gift. Furthermore, through this program, you can provide annual giving to one charity you support or spread out grants to many charities over time. For more information about the RBC Charitable Gift Program, please speak with your RBC advisor.

Fostering charitable values among younger generations

Values and beliefs — in all aspects of life, charitable or otherwise — are something that many hope and strive to pass down to future generations of loved ones. For those with a charitable mindset or who want to build or deepen philanthropy within their family, being proactive with education can go a long way in helping to embed and preserve those types of values for generations to come.

There are so many methods, levels and avenues through which charitable and philanthropic giving takes place, so a key message to focus on with children and youth is that there are vast opportunities to make a difference, whether it's within their school or community, or more

broadly through national or global causes and organizations. Depending on age, it may be worthwhile to start with a discussion about what charitable values are important to you and how you give, and then ask what causes they may be passionate about. From there, an option would be to help them research and find a project or initiative they would be interested in supporting or getting involved with. To read more on philanthropy and future generations, please view the Fall 2016 *Perspectives* article, "A Canadian outlook - Sustaining a culture of philanthropy."

For more information on wealth transfer planning and considerations for passing down wealth while living or through a Will, please view the accompanying article in this issue of *Perspectives*, "Timing is everything."

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