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INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES



**Karim F. Visram,**  
CFA, CGA, CFP, FMA

Portfolio Manager

[karim.visram@rbc.com](mailto:karim.visram@rbc.com)

Team line: 416-956-8888

Team email: [TeamKarim@rbc.com](mailto:TeamKarim@rbc.com)

Team fax: 416-842-2222

Toll-free: 1-800-561-6431

RBC Dominion Securities

Royal Bank Plaza, South Tower

Suite 3900 - Toronto, ON M5J 2J2

[www.karimvisram.com](http://www.karimvisram.com)

## Maximizing impact: Exploring the “five Ts” of charitable giving

In a world where charitable giving can play a crucial role in addressing social challenges, many individuals and organizations are increasingly seeking effective ways to make a difference. While financial contributions continue to be essential, true impact can go beyond writing a cheque or making monetary donations. The “five Ts” of charitable giving is a framework that highlights fundamental principles of maximizing effectiveness with charitable giving. By understanding and embracing the principles of time, treasure, talent, ties and testimony, individuals can catalyze lasting change and create a positive impact in their communities and beyond.

### Time

Time is a precious commodity and giving your time to make a difference for a cause can be viewed as an act of compassion and solidarity. The commitment of your personal time may create a transformative impact that extends far beyond monetary donations. By actively engaging in causes, volunteering, and serving on boards, you can listen, learn and directly assist your community in ways you may not have imagined.

The act of volunteering is a powerful way to connect and provides an avenue to build new relationships, learn new skills and share meaningful experiences with

others, including family members who might participate together. Volunteering can take on various forms, from informal activities like a river clean-up with friends or neighbours to more formal commitments such as participating with a helpline organized by a mental health charity.

The benefits of volunteering extend beyond the direct impact of the cause being supported. By engaging with charitable organizations and the communities they serve, volunteers develop a deeper understanding of societal challenges and the ways in which individuals can make a difference.

Volunteering your time can also foster an expanded awareness of the issues at hand, strengthen community ties and broaden your personal network. Some research also indicates that volunteering can increase happiness by exposing you to individuals with common interests, as well as open access to neighbourhood resources and provide meaningful activities which enhance personal satisfaction and a sense of purpose.

## Treasure

Treasure is the most common form of giving, as it involves making monetary donations, or gifts of valuable assets (during life or through your estate) to registered charities. The primary goal of treasure is to provide the necessary funding for these organizations to carry out their missions and create a positive impact on society.

By understanding and leveraging tax incentives, donors can amplify the impact of their giving, benefit from potential tax credits and ultimately allocate more funds to causes they care about. For example, while cash is often first thought of, the donation of appreciated securities may provide even greater tax benefits.

By donating appreciated securities such as publicly listed stocks, bonds or mutual funds directly to a registered charity, you can eliminate the capital gains tax that would otherwise be payable if you sold the securities and donated the cash proceeds. This means you can donate a larger amount to the charity, and the tax savings can be substantial, especially for securities with significant capital appreciation. Additionally, you may be eligible for a charitable tax credit for the fair market value (FMV) of the donated securities at the time of donation. **Note:** *When you make a donation, Alternative Minimum Tax (AMT) may apply if you're in a higher income tax bracket and therefore impact the overall tax benefit of the donation. Please consult with your qualified tax advisor prior to making a donation to determine how AMT may impact you.*

If you're a high-income earner and would like to learn more about how the proposed AMT changes may impact your charitable giving, please ask your RBC advisor for the article on that topic.

Opening a charitable giving account with a donor-advised fund (DAF) provider is a tax-efficient way to manage your charitable giving. By contributing to a DAF, you receive an immediate tax credit for the donation, and you can then recommend grants to specific charities over time. If you're interested in setting up such a fund, please ask your advisor for further information on the RBC Charitable Gift Program.

If you have a holding company, consider making charitable donations through your corporation. Donations made by holding companies to registered charities are also eligible for tax deductions, providing a way to support charitable causes while also benefitting from tax savings.

If you're looking for a way to create an enduring legacy, while enjoying important tax benefits, charitable giving using life insurance products may be a suitable option. Life insurance will provide your favourite charity or foundation with a gift that will help to fund its future needs after you're no longer here to donate. A donation of life insurance may allow you to turn a modest gift today into a large gift in the future.

Two options that may be considered are making a present gift of a life insurance policy or a deferred gift of a life insurance policy. When deciding how you'd like to donate to your charity using life insurance, you must first evaluate whether you'd like to receive tax credits while you're alive, or if the tax credits would provide you with a greater benefit on your final tax return. The greatest differences between the first and second option are that you retain ownership of the policy, and the donation tax credit is received at death as opposed to annually. It all depends on what you're attempting to accomplish — perhaps you're interested in reducing your annual tax. Or, if you anticipate a large tax bill at death, then you may want to receive the donation tax credit upon your passing to reduce your final tax bill. If a donation using life insurance is a strategy you'd like to learn more about, please contact your RBC advisor.

## Talent

Talent celebrates the power of your individual skills and expertise to give back to your community and beyond. By sharing your unique talents, you can greatly enhance the capacity and effectiveness of charitable organizations while uplifting entire communities through the transfer of knowledge and specialized skills. This form of giving enables individuals to make a tangible and meaningful impact on causes close to their hearts.

Consider the countless ways talent can be channeled into charitable giving. An accountant may serve as the treasurer on the board of directors. An educator might

lead the curriculum committee for an after-school program. A doctor could provide pro bono office hours at a local clinic. Or, an avid painter might teach art at a community centre.

This type of giving is highly valuable to charities, as it offers expertise and services that are often far more expensive or sophisticated than what the organization could afford to acquire on their own. By tapping into diverse talents of individuals, charities can expand their reach, effectiveness and impact without incurring additional costs. When people share their expertise, they often inspire others to get involved and contribute their skills, creating a ripple effect of positive change.

### Ties

Ties involves creating connections with like-minded individuals, and fostering a community of shared passions, interests or values. Collaborating with other donors, non-profits, government entities or community leaders can be a key part in creating an effective impact. Through these types of partnerships and collective efforts, stakeholders can leverage their resources, share their best practices and address complex social challenges more comprehensively.

Giving circles are a great example of what the power of ties can do. These circles bring together a group of people who have shared values and an overall commitment to making a difference to collectively decide where to allocate their pooled resources/gifts. By joining forces, donors can magnify their influence and maximize the positive change they want to achieve. Moreover, giving circles provide an inclusive and supportive environment for individuals to engage in charitable giving regardless of the scale of their contributions.

Ties formed within the philanthropic community can be a source of knowledge exchange and mutual learning. By sharing insights and experiences, individuals and organizations can continuously improve their strategies and interventions, making their philanthropic efforts more impactful over time.

### Testimony

Your unique story holds immense value. If you have a personal story related to the cause of an organization or have directly experienced the positive impact of the charity's work, consider sharing it with others. Advocacy and raising awareness are powerful tools that should never be underestimated. Through testimony, you can use your influence, platforms and personal networks to shed light on crucial issues and inspire positive change.

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There are various ways you can share your story and make a difference. You might consider speaking at events, writing a compelling blog post or meeting with potential donors to convey the significance of the organization's mission. Your image and quotes could also be used as part of a campaign, giving a face and a voice to the cause you care about most.

The authenticity of personal testimonies can spark a chain of effects, encouraging others to share their stories, creating a network of individuals who are committed to creating meaningful change. As you share your journey with others, your actions contribute towards building a community of compassionate individuals who work together to address common challenges or needs.

### Positive effects of engaging in the “five Ts” of charitable giving

The “five Ts” of charitable giving provide a holistic framework for individuals to maximize their impact. By embracing time, treasure, talent, ties and testimony, individuals and organizations can move beyond traditional notions of charitable giving and combine financial resources with active involvement, skill-sharing, advocacy and collaboration to create a better future for communities and causes they care about. The act of giving is powerful, whether you're giving \$1 or \$1,000,000, volunteering, or using your story and network to inspire others. Your giving matters to you, the charity, the people served by the organization and the cause.

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