

# Effective Charitable Giving

Our federal and provincial governments encourage charitable giving by providing a number of tax incentives for individuals. The tax savings can be as much as 48% of your donation, so while you're helping others, you can also help your own financial situation.

We have outlined some key tax tips below, but please remember that your charitable giving, especially large gifts, should be part of your overall financial plan, and the guidance of your tax and financial advisors is strongly recommended.

**Take your tax credits** – The tax credit for charitable donations can fund up to approximately 48% of your giving in some provinces.

The first \$200 donated each year qualifies for a 16% federal tax credit. Amounts over \$200 receive a 29% federal tax credit. Provincial tax credits are also available.

The calculation below shows the potential tax savings for donations in excess of \$200.

| Tax Credit Calculation           |           |
|----------------------------------|-----------|
| Donation                         | \$ 10,000 |
| Federal and Provincial credits   | \$ 4,800  |
| Total tax savings as a % of gift | 48%       |

**Pool tax receipts** – To maximize your donation tax credit, you can pool your donation receipts with your spouse's and report them on one spouse's tax return. In most cases, the higher-income spouse should claim the credit.

**Consider corporate donations** – If you make a corporate donation, your company may claim a tax deduction, not a tax credit. The value of this tax deduction depends on the company's effective tax rate.

**Carry forward large donations** – Each year, you can claim a tax credit for donations up to 75% of the net income reported on your federal tax return, but you don't lose your tax break if you exceed that limit. The excess can be carried forward for up to five years, still subject to the 75% limit in each year claimed.

**Reduce capital gains tax by donating marketable securities** – Donating publicly traded securities and mutual funds that have appreciated in price can be very advantageous. When you donate equities, bonds, mutual funds<sup>1</sup> and certain other assets to public foundations such as the Private Giving Foundation, offered exclusively through TD Waterhouse\*, you are taxed on only 25% of the capital gain as opposed to 50% if you sold or redeemed the securities and donated the cash.

*Canadians are generous people. In 2002, more than five million Canadians made personal financial donations totalling over \$5.8 billion. Canadians are also very generous with their time: more than 6.5 million volunteered just over a billion hours in a recent 12-month period. For many of us, giving is an important part of life – a responsibility we willingly accept in order to help others and build a better society.*

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In the example below, you would reduce your taxes by an additional \$10,000 if the securities were donated directly to a public foundation.

|   | Sell securities and donate proceeds to charity | Contribute securities to the Private Giving Foundation |
|---|--|--|
| 1. Market value                                       | \$ 100,000                                     | \$ 100,000   |
| 2. Cost of securities when purchased                  | \$ 20,000                                      | \$ 20,000  |
| 3. Capital gain (1) – (2)                             | \$ 80,000                                      | \$ 80,000  |
| 4. Taxable gain (3) x 50% or 25%                      | \$ 40,000                                      | \$ 20,000  |
| 5. Tax on gain (at 50%)                               | \$ 20,000                                      | \$ 10,000  |
| 6. Capital gains tax savings                          | –  | \$ 10,000  |
| 7. Tax credit (at 48%)                                | \$ 48,000                                      | \$ 48,000  |
| 8. Capital gains tax savings and tax credit (6) + (7) | \$ 48,000                                      | \$ 58,000  |

For illustrative purposes only.

This valuable benefit also applies if you donate shares of a public company you have acquired with employee stock options. You are only taxed on 25% of the employment benefit if –

- the shares acquired are donated in the year and within 30 days of the employee stock option being exercised
- the shares are ordinary common shares
- the price you paid was no less than the fair market value of the shares when the option was issued
- you donate the shares to a public, registered charity such as the Private Giving Foundation, offered through TD Waterhouse

## Build your own giving plan

Like many people, you may be overwhelmed by the number of charitable appeals you receive and the heart-wrenching problems depicted in the media.

In reality, you can't, and aren't expected to, help every cause you come across. Some of the most effective donors, with the greatest impact, develop a philanthropic plan and devote their money and their energy to a few specific causes that are important to them.

It's not unlike developing an investment plan. You need to understand your goals and objectives and then research your options to determine which ones are right for you. The following steps can help.

1. Identify your values – e.g. healing, diversity, creativity
2. Identify causes that reflect your values – e.g. education, poverty, culture
3. Identify your geographic focus – e.g. local, national, global
4. Research your options – these sites are a good starting point:  
[www.charityvillage.com](http://www.charityvillage.com), [www.cra-arc.gc.ca/menu-e.html](http://www.cra-arc.gc.ca/menu-e.html),  
[www.donorsguide.ca](http://www.donorsguide.ca), <http://canada.takingitglobal.org>
5. Evaluate your choices – charities' annual reports will show how your money is spent
6. Designate your donations – some charities allow you to fund specific activities

<sup>1</sup> All references to mutual funds refer to the securities issued by mutual funds to investors.

<sup>2</sup> TD Waterhouse Private Investment Advice is a division of TD Waterhouse Canada Inc., a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. – Member CIPF.

<sup>3</sup> TD Bank Financial Group means The Toronto-Dominion Bank and its related companies that provide deposit, investment, loan, securities, trust and other products and services.

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## Investing through TD Waterhouse Private Investment Advice

When you invest through TD Waterhouse Private Investment Advice<sup>2</sup>, you can feel secure in the knowledge that TD Waterhouse is supported by the financial strength and stability of the TD Bank Financial Group<sup>3</sup>. With offices coast-to-coast and growing, TD Waterhouse Private Investment Advice is staffed by experienced Investment Advisors who specialize in providing custom-tailored investment advice and planning, along with comprehensive financial solutions.

At TD Waterhouse Private Investment Advice, our strong client relationships are built on a continuing dialogue – listening to your needs, sharing information and recommending investment strategies and opportunities. Your Investment Advisor will work with you to create and implement your investment plan, and will provide ongoing advice with a view to enhancing its success over the long term.

For more information, call TD Waterhouse Private Investment Advice today at 1-866-280-2022.

