Leith Wheeler INVESTMENT COUNSEL LTD.

PLANNING MATTERS

Fourth Quarter 2010

Enhancing Philanthropy with a Planned Gift Today

As we approach the season of giving, many of us will support our favorite charities with year end donations. Although we are motivated to give quickly to support the cause, a moment of planning may enhance the gift you can make and offer the best tax savings for your specific circumstances. While donations of cash are readily accepted, charities are always pleased to discuss ways to plan a gift which may offer greater tax savings for you and increased support for the cause.

Bequests – gifts through your will

Making a gift through your will is a meaningful way to make a lasting commitment and it is easy to do. Ask a charity representative to help by providing suggested wording that will ensure your wishes can be met.

Gift of RRSP or RRIF

Designating a charity as the beneficiary of your registered account would generate a charitable tax receipt. The tax credits would offset taxes payable on the RRSP or RRIF distribution which could otherwise be as high as 43.7% (BC).

Life Insurance

It is possible to make a gift larger than you might expect by naming a registered charity as the owner and beneficiary of a new or existing policy. At the same time, you can receive charitable donation tax receipts for the premiums you pay.

Gifts through Annuities

You can make a charitable contribution and, at the same time, receive an immediate tax receipt as well as guaranteed retirement income for life.

Trusts

By establishing a trust that has a registered charity as a beneficiary, if certain conditions are met, you can receive income from the trust for life as well as an immediate donation tax receipt.

Gifts of Publicly Listed Securities

You can obtain additional tax savings by donating your securities directly to a registered charity instead of selling them and donating the cash. Tax benefits can be realized whether your securities have increased or decreased in value.

If you own stocks, bonds or mutual funds that have grown in value, you will trigger a capital gain (which will result in a tax liability) when you sell them. Generally, when publicly listed securities are transferred or sold, 50% of the capital gain is included in your taxable income.

Provisions in the Income Tax Act of Canada allow for a complete elimination of capital gains tax on gifts of publicly listed securities made directly to registered charities. As a result of your donation, you will avoid paying capital gains tax and will also receive a tax receipt for the full market value of your donated stock which you can then use to offset other income tax payable. As a result of these combined tax savings, donating publicly listed securities is one of the most tax effective ways to make a gift.

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Example:

If you donate your publicly listed securities, bought for $2,000, that now have a fair market value of $10,000, based on a combined Federal and Provincial tax rate of 43.7%, the following tax savings can be realized:

**Tax credits may be claimed in the year of the gift or in any of the subsequent five years*

	DONOR SELLS SECURITIES AND DONATES CASH	DONOR DONATES SECURITIES
Fair market value	$10,000	$10,000
Adjusted cost base	($2,000)	($2,000)
Capital gain	$8,000	$8,000
Income inclusion for capital gain	($4,000)	-
Charitable tax receipt	$10,000	$10,000
Net receipt (after offsetting capital gain inclusion)	$6,000	$10,000
Tax savings at 43.7%	$2,622	$4,370*
Increased tax savings from donating securities		**$1,748**

What are publicly listed securities ?

These include appreciated shares, debt obligations or rights, that are listed on a prescribed stock exchange, mutual fund units, or shares and units in a segregated fund trust.

What if I want to make a donation and save on capital gains tax but keep the shares in my portfolio?

Simply donate the shares, rather than cash, to your registered charity of choice then buy back the shares on the open market. You would avoid paying capital gains tax on the shares you donated and your new holdings will also have a cost base equal to the current market value of the shares, thereby reducing future capital gain.

When should I donate depreciated securities?

If your shares have decreased in value, you can still benefit by donating them. In addition to receiving a tax receipt for the fair market value of the shares, donating them will also result in realizing your capital loss. You can then apply the capital loss against any capital gains you may have from other sources. The capital loss can be carried back three years and forward indefinitely.

How can I bequest securities?

It is beneficial to include a provision in your will that permits distribution of assets directly (called “in specie”) in order to allow the estate to take advantage of the special tax rules for gifts of publicly listed securities.

Gift Planning

By reviewing your options for ways to make a charitable gift and choosing the gift vehicle that is right for you, you can identify the most effective way to support your favourite charity, meet your philanthropic goals, and maximize your tax savings.

To enhance your charitable giving, speak to your investment manager or a planned giving representative from a registered charity. Be sure to confirm the correct legal name and registration number for all charitable organizations in your gift planning documents.

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