

## **Charitable Giving Can Help Others – And You!**

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**W**hen it comes to charitable giving, I like the words of the late oil and gas magnate Clint W. Murchison, who said: "Money is like manure. If you spread it around, it does a lot of good, but if you pile it up in one place, it stinks like hell." Now that the end of the year is in sight, more Canadians are thinking about making charitable donations for 2009.

Let me share a few ideas that will not only help the causes you believe in, but will save you tax along the way. And don't forget, your gift has to be made on or before Dec. 31, 2009, in order for you to claim a donation tax credit in 2009 for your generosity.

### **Donate securities to charity**

It's no secret that you'll save more tax by donating securities to charity than cash. And the securities you donate should generally be those with the largest accrued capital gains per share. The reason? Any capital gain on the transfer of publicly traded securities to a charity is eliminated under our tax law. This is in addition to the donation tax credit which you'll receive for the donation. The larger the gain on the securities, the more tax you'll eliminate.

### **Donate flow-through shares to charity**

With flow-through shares you'll generally be entitled to a tax deduction for the cost of the shares, which reduces your financial risk somewhat. In addition to that tax deduction, you might consider donating your flow-through shares to a registered charity, which will provide you with additional tax savings from the donation tax credit. Suppose you invest \$10,000 in flow-through shares. This can save you as much as \$4,600 in tax (if you're in the highest marginal tax bracket in Ontario, for example). If you then donate \$10,000 worth of flow-through shares to charity, you'll be entitled to another \$4,600 in tax savings from the donation tax credit in this example. In this case, you will have received \$9,200 back in tax savings in total, on a \$10,000 gift to charity.

### **Assign a life insurance policy to charity**

If you have a life insurance policy that you don't particularly need for other purposes any more, consider assigning the policy to a registered charity. In this case, you'll be entitled to a donation tax credit for any cash surrender value accrued under the policy, and you'll be entitled to additional donation tax credits for each premium payment if you continue to pay the premiums on behalf of the charity each year.

In this case, don't expect a donation tax credit in the year of death for the death benefit paid to the charity. You might also consider making a lump sum donation to the charity in addition to assigning the policy, which will enable the charity to then purchase an annuity with that lump sum. The annuity income can be used by the charity to pay the premiums on the policy that you've assigned to the charity.

### **Name a charity as beneficiary**

You can name your favourite charity as a beneficiary of your RRSP, RRIF or life insurance policy. Doing this will provide you with a significant donation tax credit in the year of your death, which can offset other taxable income you might have in that year. The donation receipt will be for the value of the assets transferred to the charity after you're gone, and in the case of the life insurance policy the receipt will be for the death benefit paid to the charity upon your death.

### **Give the gift of giving**

Having a tough time deciding what to buy someone? Consider a charity gift card. You can visit <http://www.canadahelps.org> online and click on the charity gift-card link. CanadaHelps is a registered charity itself that makes it possible to donate to any registered charity in Canada. You can purchase a charity gift card, for any amount, using your credit card. You then specify who is to receive the gift card, and the card is then e-mailed to that recipient. The recipient is then able to go online and specify which registered charity in Canada should receive the dollar amount on the gift card. That amount is then paid to the registered charity. As the giver, you'll receive the donation receipt and can claim the tax credit (so the gift actually costs you about 54 cents for each dollar given if you're in the highest tax bracket; this varies by province).