

Using Canada Gives to Deal with Capital Gains

People who've held stocks for a long time are often frustrated when they realize that they face large capital gains taxes if they sell these holdings. Rather than feel empowered by their money, they feel penalized for making smart financial decisions.

With Canada Gives, you can set up a personal or family foundation that will provide tax relief and give you the personal satisfaction that philanthropy offers.

It Takes Less than You Think

A Canada Gives Foundation account helps donors to set up and manage a personal or family foundation valued at \$100,000 or more, providing "forever funding" for charities and leaving a legacy for their family.

Donors can start building towards their philanthropic goal with an initial donation of \$50,000.

Essentially, Canada Gives acts as a "host" foundation providing an administrative and service framework – saving donors time and money. Donors name their foundation and can select the charities that will receive annual grants from the foundation.

How can you create financial advantages through a philanthropic strategy?

Let's say your old bank shares, which have been in the family for many years, were originally purchased at \$700,000 and are now valued at \$1,200,000. If you are an Ontario taxpayer, the taxable capital gains on selling these shares would be \$116,025, leaving you with \$1,083,975. Meanwhile, you realize you donate a significant amount to several charities annually, but mostly give one-off cash gifts and lack a planned giving strategy.

You can make philanthropy work for you by setting up a personal foundation and donating appreciated bank shares to the foundation. A donation of \$207,000 can eliminate the tax on capital gains and leave you with \$993,000 on the shares. You have maximized your giving and have the satisfaction of your name on a foundation that will distribute to charities for many years to come. Instead of feeling frustrated with the shares, you have used them to their full advantage and feel good about your charitable contributions.

A PHILANTHROPIC STRATEGY	WITHOUT Canada Give	WITH Canada Gives
Current Investment Value	\$1,200,000	\$1,200,000
Tax Credit / Donation	None	Yes
Donation Value	None	\$207,000
Taxable Capital Gains	\$250,000 x 46.41%*	None
Tax Payable	\$116,025*	None
Amount Retained	\$1,083,975*	\$993,000

* Ontario taxpayer, top tax bracket, marginal tax rate: 46.41%. Assume donation is less than 75% of net income. Ignore \$200 "deductible" in tax credit calculation. Qualifying shares.

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The Value of a Philanthropic Strategy

The benefits of establishing a personal foundation are:

1. Immediate tax savings.
2. With focus, donations make a difference.
3. Donors are in control of their giving and no longer at the mercy of numerous charitable requests.
4. Creates a personal, family or community legacy.
5. Provides the benefits of a personal foundation without the complexity or costs.

2007 HIGHEST MARGINAL TAX RATES BY PROVINCE

PROVINCE	RATE
Alberta	39.0%
British Columbia	43.7%
Manitoba	46.4%
New Brunswick	46.8%
Newfoundland	48.6%
Nova Scotia	48.3%
Ontario	46.4%
Prince Edward Island	47.4%
Quebec	48.2%
Saskatchewan	44.0%

Source: KPMG Canada

Canada Gives is a registered charity and operates as an independent public foundation. A Canada Gives foundation account offers a less costly and far less complex alternative to establishing a private foundation by acting as a “host” foundation to donors. Canada Gives was designed to work with donors who are interested in setting their own philanthropic objectives and bringing their own priorities to their charitable giving.

For more information on Canada Gives and its services, please contact Denise Castonguay, Executive Director:

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Canada Gives accounts offer you a tool to deal with tax issues while establishing a personal legacy.

