



Family Matters

Case Study: Creating a Family Legacy

Brian and Michelle Patterson are in their late 50s. Brian has had a successful career and is chairman of a public company, with a family net worth of \$6 million. Their son and daughter both attend university and will soon be starting their own careers.

Brian and Michelle worry that their children may not be up to the responsibility of managing the family's wealth, and may not appreciate the importance of giving back to the community. They are also concerned that their children may be unprepared to receive a large inheritance all at once.

The Philanthropic Solution

The Pattersons opened a Family Foundation account at Canada Gives to provide continuous funding to the charities of their choice. They use this Family Foundation account to make in-kind donations of securities each time they have stock to sell, which earns them an immediate charitable tax receipt without incurring capital-gains taxes.

Brian's objective is to build the Foundation to \$1 million. Canada Gives provides detailed quarterly reports so the Pattersons can see their account grow. Canada Gives also calculates the amount available for annual grants from their Family Foundation, and Brian and Michelle decide how much they would like to disburse.

Every Thanksgiving, the family gets together to determine their charitable giving plan for the year. Brian, Michelle and their two children are each responsible for allocating 25% of the annual grants, and each selects a charity to receive their portion of the funds.

By The Numbers

Here's an example of how the Pattersons can use their Family Foundation account to save taxes and accomplish their charitable goals. Let's assume that Brian wants to liquidate \$500,000 of stock in his portfolio, and that his initial cost to purchase these shares was \$200,000. If Brian were to sell all of the stock, he would incur a capital gains tax of approximately \$70,000.

After using the Canada Gives Tax Calculator for Donations of Securities,* Brian's advisor recommends that he sell only \$385,000 worth of the stock and donate the balance to his Foundation account at Canada Gives. The charitable tax receipt for his donation would then offset the capital gains owing on the shares he sells.

The bottom line is that Brian would end up with \$385,000 in cash, his favourite charities begin to receive annual grants from the \$115,000 that is added to his Family Foundation, and only the taxman leaves empty-handed.

** if you would like to view the tax calculator, please contact info@canadagives.ca*