

Charitable Gifting



As the holiday season nears, many Canadians will make the bulk of their charitable donations for the calendar year. While many of us may not have the cash resources for charitable gifting, we may have investment assets that could be used instead of an outright cash gift. The following provides some helpful information if you are considering this strategy.

According to Statistics Canada, Canadians donate \$10.6 billion annually to charitable and non-profit organizations for altruistic reasons. However, it's still important to understand the tax benefits available when you have qualifying charitable donations to include on your tax return.



Charitable Giving Using Investment Securities

Most charitable organizations accept investment securities as gifts or donations instead of cash. These are referred to as donations in-kind and are eligible for the donation tax credit equal to the market value of the investment at the time it is transferred to the charitable organization.

When gifting an investment security to a registered charitable organization, Canada Revenue Agency (CRA) does not require the taxpayer to recognize any taxable gains associated with the donated investment securities.

Using an example to illustrate, let's say an individual wants to donate \$10,000 to a registered charity. In order to fund that donation, this individual needs to sell \$10,000 worth of stock which they originally purchased for \$6,000. When the donor files their tax return, they will need to include the \$4,000 capital gain income ($\$10,000 - \$6,000$), of which 50%, or \$2,000, is taxable. If this individual has a marginal tax rate of 40%, the act of selling those shares to fund their donation added \$800 to their tax bill ($\$2,000 \times 40\%$).

Alternatively, if the donor in the example above had gifted the shares to the charity, they would not have had to recognize the capital gain and saved \$800 in tax while receiving a tax receipt for the \$10,000 donation. So, if you are thinking of donating, check your investments and consider making the donation by a transfer of securities – you may be able to save on tax and make a larger charitable contribution as a result. And most importantly, you will be contributing to a worthy cause.

NOTE: These are general figures for the purposes of illustration. We recommend you seek appropriate professional advice before deciding on your charitable gifts.

Have Questions?

Contact Josie Di Leonardo, P.F.P, FICB at 519-763-4007 or email jdileonardo@wellfinplan.ca. Make the most of your charitable donations.

