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# Canadians getting more charitable

## Consider planned philanthropy

As Canadians work at improving their own lives, they also strive to help the less fortunate. According to a recent report by BMO Harris Private Banking, charitable giving is on the rise in Canada. Almost 79 per cent of Canadians made a charitable donation in 2012, up from 68 per cent in 2011, and the average amount they gave has increased from $487 in 2011 to $557 this year.

Interestingly, the average amounts of annual giving tend to increase with age. According to a Statistics Canada 2010 report, people aged 75 and older made average annual donations of $725, compared with $431 for those in the 35 to 44 range and $143 for those from 15 to 24.

The BMO report also found that 45 per cent of Canadians donate on an ad hoc basis rather than having a specific strategy for giving. These donors should consider planned philanthropy as it can benefit both themselves and the charities.

One example is the gifting of publicly listed securities, such as stock, bonds, and mutual funds to registered charities. A donor who sells the shares of appreciated securities, and then donates the cash, is taxed on capital gains. However, if that person donates those shares directly, the charity issues a tax receipt based on the fair market value of the securities. The donor gets full value for a tax credit without the imposition of capital gains taxes.

Efficient philanthropy can also be accomplished with RSPs where the donor names a charity as beneficiary of their registered plan. On death, the balance of the registered plan transfers directly to the charity and the estate receives a tax credit for the value on disposition. This can offset the tax on final income and effectively bypass probate fees. Flexibility is another advantage. The donor controls the RSP and, should circumstances necessitate a change, a new beneficiary can be designated.

Insurance provides other options. In one, the donor purchases an annuity and a life insurance policy. The income stream from the annuity payments is used to fund the premiums on the life insurance, where the charity is the named beneficiary. The donor benefits because the charity issues tax receipts for the premiums. At death, the charity benefits because it receives the proceeds from the life insurance policy tax-free.

Charitable Giving or Donor Advised Funds are popular. These funds set up an endowment wherein the donor makes an irrevocable contribution of cash and other assets that are invested to maximize the worth of the donation and increase its value. Investors can set grant recommendations and choose which registered charities receive donations. In return they are provided with an immediate tax benefit that can be carried forward up to five years, and a philanthropic legacy continuing into the future.

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Philanthropy integrated with financial planning makes good sense but there are many options, so decisions should be made in concert with the specifics of your particular situation. Be sure to seek advice from a qualified tax professional when determining charitable giving strategies.

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