

YOUR MONEY

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Charitable Investing: Manage Your Giving

Q. I've heard that much of the year-end market volatility is due to tax loss selling. I will be faced with a large tax bill this year and am looking for alternatives that can help reduce it. Can you suggest an appropriate investment?

A. That's a timely question. Yes, there are some very cost-efficient investments that can help reduce your tax bill. As we enter the holiday season – a time when we celebrate friendship, love, and sharing - one investment naturally comes to mind. You could consider a charitable giving fund.

Charitable giving funds enable individuals to manage their philanthropic endeavours actively. They are an alternative to a private foundation, providing a convenient and tax-efficient way of leaving a legacy for as little as \$25,000. And, charitable giving funds are not just for the wealthy. They also permit groups of people to pool their money in support of their favourite charities.

Investing in a charitable giving fund immediately gives you a multitude of benefits, one of which is creating a legacy. Many of these funds enable the donor to name their fund (e.g. The Smith Family Charitable Fund) and their successors. Donors are permitted to set grant recommendations and to choose which registered charities receive donations.

Your philanthropic objectives are further enhanced by professional money management. Although 83% of Canadians give to charities, very few actually plan how their donations are employed. By using established

portfolio managers, you can maximize the worth of your donation to its full potential, and grow its value. Charitable giving funds provide a lot of flexibility because you can use a variety of donation methods including cash, securities, and insurance. As well, they offer the simplicity that comes with the consolidation of your charitable giving, through combined tax reporting and record-keeping.

Tax planning opportunities can be conveniently and cost-effectively accessed through charitable giving funds. You are provided with an immediate tax benefit that can be carried forward for up to five years. For anyone who has come into an inheritance or has recently sold real estate or a business, this is an excellent method of reducing taxable income. Alternately, if you are faced with significant taxes on appreciated securities, you can donate the securities "in kind" and avoid capital gains tax. You receive a tax receipt for each donation.

Winston Churchill said, "We make a living by what we get, but we make a life by what we give". I believe we can make a positive difference in the lives of others by taking these words to heart. When considering your options this holiday season, please think about charitable giving funds, and make philanthropy a part of your financial planning.

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