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Giving to charities a win-win in hard times

Check your portfolio for suitable gifts

The economic crisis may claim more victims: charitable organizations. Their outlook is far from rosy as they wrestle with the cumulative impact of an unfortunate convergence of events.

According to the Chronicle of Philanthropy, a US-based authority on the philanthropic sector, the economic downturn has caused more than half of non-profit organizations worldwide to experience declines in donations and other income in the past year.

In an October report Editor Stacey Palmer explains that lag-times in charitable giving means that non-profit organizations will continue facing tough times, likely through 2010, with the brunt of the force felt by smaller, more vulnerable charities.

Statistics Canada findings are similar. According to a recent report, charitable donations reported on tax returns in 2008 were $8.1 billion which is a 5.3% drop ($400 million) from 2007. It ranks as the lowest annual donation figure since 2005 and is the first decrease since the last recession in Canada.

So what can you do to help? This holiday season you can try to go the extra mile with charitable donations, while ensuring your philanthropy enhances your own financial planning. Combining these does not make your concern for others less noble. It is simply good sense.

As an individual, you have a number of options. The most obvious is to go through your portfolio and look for opportunities to make a gift of stocks, bonds, or mutual funds.

If you've been an active investor in 2009, you've likely purchased stocks that have appreciated significantly with the market rally. To offset the impact of capital gains incurred on their eventual disposition, you can donate shares to your favorite registered charity. As well as the capital gains exemption, you'll receive a charitable tax receipt for the full market value of the donated securities.

Another popular option is a Charitable Giving or Donor Advised Fund. These programs set up an endowment wherein the donor makes an irrevocable contribution of cash and other assets. The contributions are then invested to maximize the worth of the donation and increase its value. You can set grant recommendations and choose which registered charities receive donations. In return, you are provided with an immediate tax benefit that can be carried forward up to five years.

You have various options if you wish to ensure your legacy has an impact. The simplest is to name your charity as the beneficiary of your registered plans. After your passing, the balance of your RRSPs or RRIFs transfers directly to the charity and your estate will receive a tax credit for the value on disposition. This can help offset the tax on income and will effectively bypass probate, furthering benefits to the estate.

You can donate gifts of life insurance by naming your charity as the beneficiary in a permanent life insurance policy. The charity will receive the policy's cash surrender value plus any net accumulated dividends and interest upon your death. In return, as a more immediate benefit, you'll receive a tax credit for the

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value of the donation, and all premiums paid to the policy after donating it to the charity will provide additional tax credits.

A Charitable Remainder Trust (CRT) is beneficial if you would like to donate property to a charity, but require income from it during your lifetime. A CRT sets up conditions wherein the charity receives the capital on your death, but you continue to receive income during your lifetime, and you receive an immediate tax credit from your donation.

Winston Churchill said, "We make a living by what we get, but we make a life by what we give". No words could be more relevant this holiday season.

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