The Stan Clark Financial Team's

PERSPECTIVES

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Charitable Giving

By Sylvia Ellis - Senior Estate Planning Advisor

Most people, at some time during their life, make a donation to charity. A gift by any person, including a trust, entitles the donor to a tax deduction by way of a non-refundable tax credit. The most that's eligible for a tax credit is 75 percent of net income for the tax year in which the gift is made. Unused credits may be carried forward for five years and used to offset tax in those years.

Tax credits can provide tax relief both during your lifetime and after. If the size of your gift is projected to be greater than your taxes payable at death, consider advancing the timing of them to reduce your annual taxable income instead. The tax savings by spreading out your donations over several years, could be substantial.

Here are some ways you can give:

A gift by will or direct designation

This is for those who would like to donate a larger amount, leave a lasting legacy or provide guidance as to how their gift will be used. Currently, your estate would receive a tax receipt for the amount donated. Your estate may claim charitable donations of up to 100 percent of your net income in the year of death. If the total amount of donations made is more than your net income, the excess donation amount can be applied to your net income in the year immediately prior to death.

Changes, however, were proposed this year that significantly impacts charitable planning through a will. Also included are direct donations of RRSPs, RRIFs, TFSAs and life insurance. Donations will no longer be deemed to occur in the year of death, and will be treated as donations made by the estate, at the time the gift is made. Provided the gift is made by a "graduated rate estate" (GRE), then the donation credit will offset taxes owing in the:

- Date of death return
- Immediate prior year return
- GRE for the year of donation
- Any prior year GRE returns

Coming into effect January 1, 2016, these changes are intended to give the executors more flexibility. The key word here is *intended*. The 2014 proposals, although providing more flexibility, seem to create potential problems, as well. Certain conditions must apply in order for an estate to be considered a graduated rate estate, which is what will ultimately provide the flexibility.

In-kind gifts of publicly listed securities

It was the 2006 federal budget that fundamentally changed the tax relief when publicly traded shares are donated to charity. Since that time, any direct donations of publicly traded securities in-kind to a registered charity will cause any capital gain on the shares to be eliminated.

Charitable giving is a winning gesture for everyone involved. It is important to view your charitable giving strategy as part of a comprehensive financial plan that takes into account your financial needs along with your desire to make donations. Balancing your own financial situation with your philanthropic goals will help you optimize your charitable giving.

Given the complexities that can be involved, the prevailing taxation issues at the time of giving and the irrevocable nature of charitable giving decisions, there are many factors to consider before gifting assets. Professional tax and legal advice is recommended.

Sylvia Ellis is the Senior Estate Planning Advisor for the Stan Clark Financial Team at CIBC Wood Gundy. Sylvia provides support to the team in projecting and planning client financial affairs.

To learn more about CIBC Wood Gundy, the Stan Clark Financial Team and the many ways we can help manage your wealth, please contact us by phone or by email as listed below.

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