

PERSPECTIVES

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Financial planning

Donor advised funds: a strategic, tax-efficient way to give

By Sylvia Ellis, Senior Estate Planning Advisor

For many Canadians, charitable giving is an important aspect of our lives. There are many different ways to give: donating through campaigns; volunteering your time; or giving directly to different charities. However, many individuals are looking for a more strategic and tax-efficient way to achieve their philanthropic goals. This is where donor advised fund (DAF) programs come in.

Easier and more cost-efficient than establishing a private foundation, DAFs are offered through a number of sponsor organizations, typically financial institutions or charitable foundations.

What makes a DAF attractive? Well, for the most part, it's the flexibility a DAF offers – and the ease in establishing one. You can receive immediate recognition for your donation for tax purposes, ensuring the tax credits are fully used to offset years of high income. Also, the assets grow tax-free within the DAF, so that designated charities will benefit even more in the future. And importantly, you don't need to decide on the ultimate charity at the time of the donation.

Minimum contributions vary depending on where you choose to establish the program. Typically, this might be \$25,000, but can be as low as \$5,000.

Some of the benefits of DAFs include:

- Simplified charitable giving.
- Tax credits can be used to offset high-income years while you are still living, rather than perhaps being partly wasted if the donations occur only on your death.
- Many of the advantages of a private foundation at a reduced cost.
- Provides the opportunity to teach children and grandchildren about philanthropy. Grants can be decided upon together, instilling shared values and decision-making skills.
- Grants can be made anonymously to protect personal or family privacy.
- Donors don't have to worry about any administrative details or record-keeping.

The process is simple:

- Personalize your legacy by naming your own fund.
- Receive immediate recognition for your donation. A tax receipt will be issued at the time of the donation for the full market value of your contribution.
- Donate a variety of assets, including cash, stocks, bonds, mutual funds and life insurance. For gifts of appreciated securities, you can donate in kind and realize the full value as a charitable donation – without paying tax on any capital gains.

- Select the charities you would like to support. Grants can be made to organizations recognized by the Canada Revenue Agency as a registered charity. To see if the organization you ultimately want to support is eligible, check the list of registered charities on the CRA website.
- Your DAF will be administered by the institution you select and your donation will be invested and professionally managed by your advisor. If you want, you can recommend how your assets are managed.
- You will be kept posted on the status of your DAF, with periodic reports outlining the granting activity and current value.

Whether you wish to support the arts or higher education, conserve natural resources, advance medical research or help the world's underprivileged children, giving through a donor advised fund program may be the right fit for you.

Does CIBC Wood Gundy offer a DAF? Yes, indeed! it's called the CIBC Giving Back Program. If you'd like to learn more, please let us know. We'll be happy to send you more information. ■



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