

# Program Guide

## **BENEFACTION FOUNDATION**



Making a meaningful difference is increasingly important to Canadians who view their personal wealth not only as a means to live well, but also as a way to give back. Benefaction is here to help you achieve your philanthropic vision and create personalized and lasting social impact.

This program guide contains important information to help donors make informed decisions about establishing a Donor Advised Fund (Fund) with Benefaction Foundation.

### **About Benefaction**

Benefaction is a charitable public foundation registered with the Canada Revenue Agency (#804213759RR0001). We are incorporated under the laws of Canada and have an independent Board of Directors. Benefaction's mission is to encourage philanthropy by helping Canadians maximize charitable giving while minimizing tax and administrative burdens. We help individuals, corporations and their investment advisors make a positive impact through planned giving with our Donor Advised Funds.

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### 1. About Donor Advised Funds

A Donor Advised Fund is a charitable giving vehicle created for the purpose of managing charitable donations over your lifetime and beyond and is tailored to reflect your philanthropic goals and values. Individuals, families, and corporations can establish their own Fund without the expense and hassle of creating a private foundation. You make an initial donation of \$25,000 or more, in accordance with our [Gift Acceptance Policy](#), and Benefaction will issue you a charitable tax receipt. Further donations to your Fund can be made at any time. Your donations are invested by Benefaction into a separate account for your Fund with the objective of long-term capital growth for your charitable purposes. We work with your recommended Investment Advisor to manage the investments in the account. On an ongoing basis, you recommend to Benefaction which charities will receive grants from your Fund, how much they will receive, and when.

Benefits of establishing a Fund with Benefaction include:

- **Tax Savings.** You will receive a charitable donation receipt when you donate to your Fund. Plus, when you donate securities, the tax liability typically associated with the realization of accrued capital gains will be significantly reduced.
- **Efficiency.** Achieve all the financial advantages and personal fulfillment that comes with establishing your own private foundation, with significantly less cost and complexity.
- **Control.** With Benefaction, you advise on the charities you would like to support. You recommend on who and how you would like to manage the assets. Throughout the process, you are kept well-informed on the positive impact of your gift.
- **Legacy.** Create lasting change by adding to your Fund over time. Place a bequest in your Will, donate an RRSP or RRIF, or transfer a paid-up life insurance policy. You can also invite your family and friends to contribute to your Fund and get involved in your cause.

## 2. Becoming a Donor and Establishing a Fund

All Funds are established by a [Donor Agreement](#) provided by Benefaction. In completing the agreement, you and your family create a name for your Fund, participate in the selection of investments in conjunction with your recommended advisor, and choose the charity or charities you wish to support. You can specify one or more donors and successors to your Fund and indicate your preference with regards to privacy.

### 2.1 Investment Advisor or Portfolio Manager

Every Fund requires an Investment Advisor to manage the assets for Benefaction, investing among eligible investments in accordance with our [Investment Policy Statement](#). Once the Donor Agreement has been accepted, the recommended Advisor will become the Fund's Advisor and Benefaction will open an investment account at the relevant investment firm to deposit the proceeds of your donation. The investment account will be in the name of Benefaction with reference to the Fund name (e.g., "Benefaction Foundation, re: Donor Family Fund").

### 2.2 Succession options

To preserve the legacy created by a Fund, successors may be named for each Fund through the Donor Agreement, or they can be named later in writing by the donor. Successors will assume responsibility for the Fund's grant recommendations after the death or incapacity of the original donor. If the Fund has more than one donor, the successors will assume said responsibility only once all donors have passed. The donor has the sole authority to make grant recommendations for the Fund, unless otherwise specified in writing to Benefaction.

A successor must provide written notice and sufficient proof to Benefaction of the donor's, and/or joint account holder's, death or incapacity to succeed the donor. If a donor or successor is a minor at the time they are to assume responsibility for the account, Benefaction requires that the minor's parent or legal guardian make the applicable recommendations. Account recommendation privileges will revert to the donor or successor at the time the minor attains legal age of majority in the province or territory where they live, and written notice and sufficient proof has been provided to Benefaction.

### 2.3 Making a donation

The following types of assets may be donated to a Benefaction Fund, in accordance with our [Gift Acceptance Policy](#). Donations can be made to first establish a Fund or as a subsequent top-up donation to the Fund. Benefaction should be notified of any top-up donations of cash or securities by way of a [Gift Form](#). Gifts to Benefaction are irrevocable and all funds donated are the property of the foundation.

#### *Donations of cash*

Cash donations may be delivered by cheque, third party account transfer or electronic fund transfer (EFT). Cash will not be accepted directly. The tax receipt will be for the full amount of the cash donation.

#### *Donations of securities*

Donations of securities should be transferred in-kind to Benefaction's investment account and may be eligible for enhanced capital gains treatment. A Portfolio Valuation, which will be used to determine the

tax receipt amount, is required based on the date of the securities transfer. The fair market value used for issuing the donation receipt will be determined by Benefaction in its sole discretion, however for publicly traded stocks it will generally be the closing price on the date of transfer, converted to Canadian dollars if necessary.

All donated securities, unless it is an eligible investment, will be sold by Benefaction at the earliest practical date. Any costs incurred by Benefaction to sell the securities will be deducted from the proceeds of the sale. If the donated securities sold are mutual funds, redemption charges may also apply. An amount equal to the net proceeds after liquidation will be credited to the recipient Fund.

#### *Third party donations*

Individuals or organizations other than the donor (“Third Party Donors”) may make donations to a Fund and are eligible to receive a donation receipt. Third Party Donors do not acquire any recommendation privileges for the Fund and cannot recommend grants. Donors may not guarantee to Third Party Donors that any grant recommendations will be approved.

#### *Estate donations*

(Donations occurring only after the donor’s death)

Donations may be made to a new or existing Fund by designating Benefaction as a beneficiary under a Will, a qualified retirement plan (e.g., a RRSP or RRIF), tax-free savings account (TFDA), or a private foundation. To avoid disputes over testamentary donations to a Fund, we strongly recommend that the donor specify in writing that the testamentary donation is to be made to “Benefaction Foundation” and that the proceeds of the testamentary donation are to be directed to the specific Fund. Benefaction can provide sample wording for a bequest.

A donor considering opening a Fund with the proceeds of a testamentary donation should carefully review this guide and the program’s forms to ensure that complete account set-up instructions are provided to their executor, including instructions regarding who will act on behalf of the donor and/or any other succession options for the Fund (e.g., providing standing grant recommendations). Testamentary donations will generally be issued in the name of the deceased or the estate. Estate assets may be subject to probate or estate administration taxes, where applicable, and may reduce the amount available to be donated to Benefaction. Donations made during a donor’s lifetime are not subject to these taxes. Donors should consult their financial, legal and tax advisors when setting up any testamentary donation.

#### *Donations of life insurance*

In general, a gift of life insurance requires the naming of Benefaction as a beneficiary of the policy; or an absolute transfer of ownership of an existing policy; or the issuance of a new policy with Benefaction as the owner and beneficiary. Typically, the donor makes donations to cover the ongoing premium payments.

In situations where the donor elects to stop making donations to cover the premium payments, then Benefaction at its sole discretion, may opt to pay the premiums itself, or surrender the policy for its cash surrender value or transfer the policy to another organization of its choosing.

Donations to cover insurance premiums are subject to Benefaction's donation fee, as with any other donation. Benefaction will issue a tax receipt to the donor and pay the life insurance company directly for the premium. Benefaction keeps track of premiums owed and will contact advisors approximately three weeks before the premiums are due. For more information, please review our [Gift of Life Insurance](#) document.

#### 2.4 Tax receipts

For all types of donations, donors will receive a tax receipt from Benefaction by email. If there is no email address on file, a hard copy will be mailed to the donor. Benefaction should be given evidence of which account the donation originated from, in order to process the tax receipt in the correct donor's name (e.g. if a joint account, what the donor's preference is).

Donations to Benefaction generally qualify for an individual income tax credit or corporate tax deduction in the tax year in which the donation was made as a charitable donation to a registered charity. For individuals, the maximum amount of charitable donations that may be claimed for credit in any one year is 75% of net income (100% in the year of death and the year immediately before death). Unused donations can be carried forward (but not backwards) for up to five years beyond the year of the donation, subject to the 75% limit in each year claimed.

Donated securities are deemed to have been disposed of by the donor immediately before donation to trigger a gain or loss for the investor. The Income Tax Act (Canada) provides for a taxable gains inclusion rate of 0% for gains on publicly traded stocks, bonds, mutual funds, and other securities donated in kind. Similarly, the inclusion rate for a taxable employee benefit from the exercise of an employee stock option is also reduced to 0%, provided the securities, bonds and mutual funds are donated within 30 days of exercise. Therefore, the amount of tax payable on any gain realized on publicly listed securities donated to Benefaction is \$0.

Donors should consult with their own legal, financial and tax advisors for information about donating to Benefaction.

### **3. Maintaining a Fund**

As previously mentioned, there is a minimum donation of \$25,000 to establish a Fund. It is expected that this Fund size be maintained over time. Should a donor recommend grants that would reduce the Fund below this threshold, Benefaction will contact the donor or their advisor to discuss a top-up donation or to devise a plan to wind down the Fund. If no instructions are provided by the donor, Benefaction at its sole discretion may distribute 100% of the Fund to its general fund and close the Fund.

Although Benefaction has ultimate authority over the assets in the program, it will generally act on the recommendations of the donor (or parties authorized by the donor) with respect to naming the account, recommending an Investment Advisor or Portfolio Manager for the account, recommending grants to charities or other qualified donees, and recommending how the account will be managed after the donor's lifetime.

### *What to expect after opening a Fund*

Donors will receive written confirmation from Benefaction shortly after their Donor Agreement has been signed. They will then receive a more detailed introduction to Benefaction once the initial donation is received and the Fund has been funded. Subsequently, a donation receipt will be issued and emailed to the donor. Paper copies of the tax receipts and Donor Agreement are available on request.

### *Ongoing activity & reporting*

After the Fund is established, the key ongoing activity is recommending grants to charities – see following section in this Guide. In terms of reporting, donors will receive a quarterly Donor Report from Benefaction which outlines your Fund details including: a financial summary over the period and since inception; a list of donation and grant activity over the period; a summary of your Fund's grants by charitable sector; and the annual disbursement quota (the minimum amount of grants that your Fund must make before the calendar year end).

### *Donor Portal*

We are pleased to offer our donors with access to an online donor portal which allows you to view an online snapshot of all philanthropic activity for your Fund, including the following:

- Market value of the Fund as of the prior month end
- History of all grants that have been made from the Fund to your chosen charities
- History of all donations into the Fund

You will also have access to your personal tax receipts and quarterly Donor Reports and you will be able to recommend grants directly via the portal and view a list of all pending grants you have submitted online.

## **4. Making Grants to Eligible Charities**

Grants made from Benefaction are based on the recommendations of our donors for grants to registered charities and other qualified donees.

### 4.1 Disbursement Quota

Benefaction is subject to rules under the Income Tax Act that specify the minimum amount we must disburse annually from donations received (its "disbursement quota"). As an organization, we have chosen to apply the disbursement quota at the individual Fund level, even though the CRA applies it to Benefaction as a whole. Commencing the year following the initial donation, a minimum of 5% must be disbursed from each Benefaction Fund each year. This minimum is just that, a minimum, and donors are welcome to grant about this amount if they so desire as long as the minimum Fund balance is maintained. Any exception to this minimum annual disbursement requires Benefaction's approval.

### 4.2 Eligible grant recipients

Benefaction must restrict granting to registered Canadian charities and other permitted entities ("qualified donees") as set out in the Income Tax Act. They generally include the following:

- registered Canadian charities with a 9-digit CRA Registration number, searchable [here](#)
- registered Canadian amateur athletic associations, also with a 9-digit CRA Registration number

- registered national arts service organizations
- certain non-profit housing corporations resident in Canada that are constituted exclusively to provide low-cost accommodation for the elderly, searchable [here](#)
- universities outside Canada [approved by CRA](#)
- charitable organizations outside Canada to which the federal government has made a gift in the current calendar year or the previous calendar year from [His Majesty's list](#)
- Canadian [municipalities](#), the federal or a provincial government, or their agencies
- the United Nations or its agencies

Benefaction will not approve grants to individuals, non-profit organizations not registered as charitable organizations with CRA, or to political candidates or parties. Donors must agree that they, their family and those not at arms-length from them, will not receive any benefit or advantage from any of the grants that they recommend and that none of the grants are to fulfill a legally binding pledge agreement. Private benefit could include membership dues or fees, tuition, or goods purchased at a charitable auction. As well, Benefaction will not support any political activities.

Benefaction retains sole discretion to approve or decline a recommended grant. If a grant recommendation is declined, Benefaction will seek to notify the donor and request a revised recommendation.

#### 4.3 Recommending grants

Grants may be recommended by submitting a [Grant Recommendation Form](#) or providing recommendation requests by email, phone call or via our online donor portal. If a donor is recommending grants to multiple charities, a dollar amount or percentage must be allocated to each charity, subject to the minimum grant amount of \$250. There is no maximum amount that can be granted each year; however, Benefaction Board approval is required for any grant that represents 100% of the current balance of the Fund.

Donors must indicate on the Grant Recommendation Form whether they wish to submit their grant recommendations on a one-time basis, monthly, quarterly, semi-annually, or annually. The latter options provide standing grant recommendations for Benefaction to follow each subsequent period. If the donor selects the standing grant recommendations for a Fund, then the recommendations will continue to “stand” and be used indefinitely in subsequent periods (including after the death of the donor), unless an end date is identified with the request or the instruction is changed by a person authorized to make grant recommendations by completing a new recommendation request.

It is also recommended that donors provide grant recommendations for after their death or incapacity. If a donor has not provided standing grant recommendations for a Fund during their lifetime, or identified a successor to take on this responsibility, Benefaction’s Board of Directors will take responsibility for grant recommendations after their passing.

#### 4.4 Grant processing and payment dates

Grants can be issued by Benefaction at any time throughout the year. Under normal circumstances,

payment will be issued to the charity within 10 business days of receipt of the proceeds from the Fund into a Benefaction bank account. That said, the end of the year is a busy time for grants; accordingly, Benefaction will make grants before year end on a best effort basis, for any grant recommendations received after November 15th.

Grants are typically issued by cheque but can be made by Electronic Funds Transfer (EFT) or by credit card on a request basis. Note that in special circumstances, Benefaction may request by Letter of Authorization that the Investment Advisor raise the grant cheque directly from the investment account. In these cases, Benefaction requires a scanned copy of the cheque as evidence for our files.

Donors will be sent a Grant Confirmation Report on completion of the grant request.

#### 4.5 Grant notification

Grants are made with cheques bearing the name of "Benefaction Foundation." Benefaction will send a cover letter with the cheque referencing the Fund name, unless requested otherwise. Donors may alternatively recommend that Benefaction provide their full name and address information, or that their grant remains anonymous, in which case Benefaction will withhold from the recipient charities the Fund and donor names.

If desired, donors may recommend under "Additional Information" on a Grant Recommendation Form that the grant notification include the name(s) of the individual(s) in whose honour or whose memory the gift is being made and/or any other specific direction or designation for the gift.

#### 5.6 Foundation income and grants

As a registered charity, Benefaction is tax exempt. Income and capital gains from the Fund are income and capital gains of Benefaction and not of the donor personally.

### **5. Fees & Expenses**

Benefaction donors do not have any "out-of-pocket" expenses because fees are drawn directly from the assets they have donated and for which they have received a full fair market value donation receipt. Benefaction charges two types of fees – Donation Fees and Annual Fees – to cover our operating costs. These fees are for administrative services on behalf of the Fund including the issuance of tax receipts, ongoing disbursements and reporting, and ongoing fiduciary responsibility. The Fund is also responsible for any investment management fees incurred. If significant charitable operating expenses are incurred by a particular Fund, then Benefaction may allocate these expenses directly to that Fund. Benefaction reserves the right to change the fees at any time with appropriate notice to Fundholders.

#### *Donation fee*

Benefaction charges a donation fee of 1% on initial and subsequent donations to a Fund below \$1 million. Funds which have accumulated donations of \$1 million but below \$2 million, pay a donation fee of 0.5% on donations. Funds which have accumulated donations of \$2 million but below \$3 million, pay a donation fee of 0.35% on donations. Donation fees for cumulative donations of \$3 million and above can be negotiated with Benefaction. Donation fees for inception of new accounts will not exceed \$10,000.



### *Charitable administration fee*

Benefaction charges an annual charitable administration fee for its ongoing administrative services. This is an annual fee of 0.50% of the Fund value up to \$1 million, 0.35% on the next million and 0.15% on the remainder and is collected quarterly. The annual charitable administration fee is capped at \$5,000 quarterly (or \$20,000 annually).

### *Investment management fees*

Management fees for each investment product are paid directly by Benefaction to the investment manager for the Fund account. The Fund will be invested in eligible investments. A list of eligible investments can be provided at your request and will vary based on the investment firm you have recommended.

## **6. Structure and Service Agreements**

Benefaction has entered into a charitable administrative services provider agreement with Cause Strategies Inc. for its charitable giving programs. Benefaction has also entered into an agreement with various investment managers, whereby these firms will provide securities trading and other services through an investment account opened by Benefaction. Benefaction will pay the investment firms for these services.

### Disclaimer

The information contained in this guide is of a general nature and should not be construed as legal, financial or tax advice to any person, as each person's circumstances are different. Donors should consult with their own legal, financial and tax advisors for information about donating to Benefaction.



**We hope this Program Guide has addressed any questions you may have about Donor Advised Funds with Benefaction and how they work. If you would like any further information, please don't hesitate to reach out to us directly!**

**BENEFACTION FOUNDATION  
83 HARBORD ST., TORONTO, ON, M5S 1G4  
TEL: 1-416-915-0700  
INFO@BENEFACTION.CA  
WWW.BENEFACTION.CA  
CRA REGISTRATION #: 80421 3759 RR0001**