LEAVE A LEGACY™
GREATER TORONTO AREA

YOUR GUIDE TO

Charitable Giving

& ESTATE PLANNING

- **Donor Advised Funds Easy, Quick, Smart!**
- **Building a Legacy with Endowed Gifts**
- **Aligning Personal Values with Giving Objectives**

PLUS:

A Directory of Professional Advisors and Charitable Organizations

The Rich Life: Live Well, Give Back, Leave A Legacy

LEAVE A LEGACY™ GTA gratefully acknowledges the support for our program from: TD Waterhouse

Editor's Note

I am pleased to have the opportunity to edit this magazine for a second year. Last year's edition highlighted the elimination of capital gains tax for gifts of appreciated securities made to public charities. The policy change was a triumph for the charitable sector and for donors who are now able to manage their giving in a more strategic and tax efficient manner. This year, the government extended this policy to private foundations. Many believe that it will lead to a new record value of gifts of securities as more and more Canadians and their advisors take advantage of the new tax treatment.

As a development professional, I continue to be inspired by the extraordinary generosity of people from all walks of life. Some make gifts of stock, others donate cash and still others arrange bequests and other planned gifts. Still others give their time to organize fundraising events. Interestingly, experience has shown me that tax considerations are rarely the impetus for an individual's giving. Donors are inspired to give for many different reasons; to honour a loved one by supporting research into a particular disease that may have touched a friend or family member or through a heartfelt commitment to their community. While many charities benefit from large gifts made by individuals or corporations, everyone in the community has a role to play and can make a difference.

I hope that this year's guide will not only provide helpful information regarding the many ways to structure your philanthropy to suit your financial situation, but that it will also inspire you to think critically about causes that are important to you. By setting charitable goals wisely, each of us can make a difference today and leave a meaningful legacy for tomorrow.

Angela Murphy,
Editor

LEAVE A LEGACY™
GREATER TORONTO AREA

LEAVE A LEGACY™ is an initiative of the Greater Toronto Area Round Table of the Canadian Association of Gift Planners (CAGP) in partnership with local charities, not-for-profit organizations, sponsors and estate planning professionals in the GTA.

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Planned giving, very simply, is the process of designating charitable gifts so that the values and causes you hold dear – your philanthropic interests – are supported within your estate while maximizing tax and other financial benefits.

LEAVE A LEGACY™ Greater Toronto Area is a collaborative effort involving professional advisors and charitable organizations including social service agencies, foundations, educational institutions, health organizations and other religious, environmental and philanthropic groups to promote interest in charitable giving through a will or a planned gift.

LEAVE A LEGACY™ GTA is a program of the Canadian Association of Gift Planners (CAGP*ACPDP) to promote interest in making planned gifts.

The Association brings together professionals from various disciplines to ensure that the gift planning process achieves a fair and proper balance between the interests of donors and the aims and objectives of registered charitable organizations in Canada in accordance with the Association's Standards of Professional and Ethical Practice.

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To learn more about the Canadian Association of Gift Planners™, please visit their website at **www.cagp-acpdp.org.**

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To learn more about LEAVE A LEGACY™ Greater Toronto Area, please visit our website at **www.cagptoronto.org.**

READER FEEDBACK REQUEST

Dear Reader,

Did you find this publication of value with respect to your charitable giving and estate planning needs?

We are interested in your comments.

Please email us at **info@cagptoronto.org** or write to:
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GREATER TORONTO AREA

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YOUR GUIDE TO **Charitable Giving** & ESTATE PLANNING

The information provided here does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice. You should always seek appropriate legal, estate planning and financial advice before deciding on a course of action.

Limited copies of this magazine are available. Please call (416) 410-5251.

MAY 2007

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The First Anniversary of Zero Capital Gains Tax

Canadian charities and donors reap the benefits of the elimination of capital gains tax for gifts of appreciated securities.

Jo-Anne Ryan

This month marks the first anniversary of the government's announcement that capital gains tax for donations of publicly traded securities to charities and foundations would be eliminated. The charitable sector, which had been lobbying for the change since 1997, applauded this announcement in May 2006. While the data for 2006 donations is not yet available, anecdotal evidence suggests that there has been a surge in donations of securities. There has also been media coverage of some very large gifts in the past year.

Huge Potential for Stock Donations for Tax Savvy Investors

Statistics Canada reported that the total market value of stock held by Canadians at the end of 2006 was an astounding $1.4 trillion, an increase of $100 billion over the previous year. Approximately one-half of that market value represents unrealized capital gains, suggesting that the opportunity for many shareholders to donate stock and save tax is very significant. Unrealized capital gains are expected to increase which may fuel a continued rise in these donations.

TD Economics estimates that the market value of stock held by Canadians in 10 years time could exceed $3 trillion, with as much of two-thirds of that in unrealized gains. *(Full report released May 1st, 2007 may be viewed at www.tdeconomics.com).*

More Opportunity

While a rising stock market can certainly provide a strong incentive to donate securities, unexpected taxable events can also be compelling motivators.

Mergers and Acquisitions

One example of such events is merger and acquisition (M&A) activity. Corporate takeovers can create an unanticipated tax consequence that can be reduced with a stock donation strategy. If the M&A deal is structured so that the shareholders of the target company receive cash for their shares, the transaction will trigger a taxable capital gain and 50% of the gain is taxable. A strategy to donate stock prior to the closing of the transaction can reduce the capital gains tax payable on the shares not donated.

In 2006, there were some high profile M&A deals. For example, Inco and Falconbridge sold for about $40 billion. In 2007 companies such as Shell Canada, Four Seasons, and Lakeport Brewing were involved in such takeovers and the trend is expected to continue.

Demutualization

Another event that has created opportunity for stock donations is the demutualization of insurance companies.

Demutualization is the process of converting from a mutual company, owned by its policyholders, to a company with common shares, owned by its shareholders.

Legislation allowing life insurance companies to do this was enacted in 1999. As a result of demutualization, the policy holders had a choice to receive shares of the company or the equivalent in cash. For those that opted for shares, the cost base of the newly acquired shares was zero. This cost base and market increases since demutualization make a stock donation strategy for these shareholders very compelling.

Shareholders of companies that went through this process, such as Manulife and Sun Life, may find themselves considering such donations.

Summary

In summary, if you are considering making a donation to charity and own securities that have appreciated, you are always better off donating the securities instead of cash. Even if you don't want to part with your stock because you believe there is still upside potential for it, consider donating the stock to charity and then re-purchasing it (there is no 30 day waiting period required). You will eliminate the capital gains tax, receive a charitable tax receipt resulting in a tax credit, and you will have "stepped up" the adjusted cost base of those re-purchased shares.

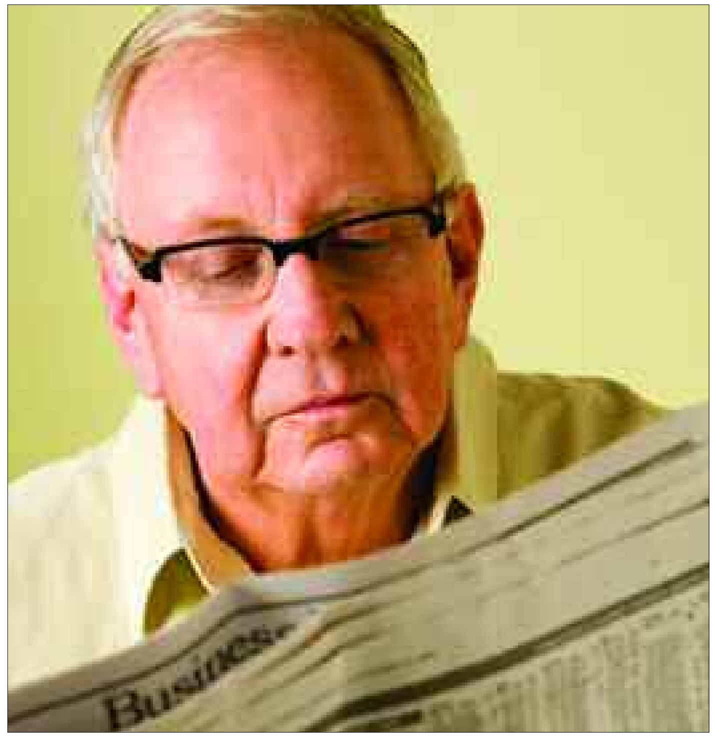
As everyone's situation is different, please consult with your tax advisor before making a decision.

Jo-Anne Ryan is Vice President, Philanthropic Advisory Services, **TD Waterhouse Canada Inc.** and the Executive Director and architect of the Private Giving Foundation, the first donor advised fund program to be launched by a financial institution in Canada,

www.TDWaterhouse.ca/privategiving

Federal Government Supports Giving to Private Foundations

The 2007 Federal Budget proposes to extend the exemption from tax on gifts of publicly listed securities to gifts made to private foundations on or after March 19, 2007. Similarly, the special exemption available to gifts of publicly listed securities acquired by an arm's length employee under options granted by the employer and donated to the charity within 30 days of the exercise will be extended to gifts made to a private foundation.



Susan Manwaring and Kate Campbell

To address self-dealing concerns, the Federal Government proposes an excess business holdings regime (based on the United States model) applicable to all private foundations beginning with their first taxation year that begins on or after March 19, 2007. While the government was concerned that persons could use their shareholdings combined with the holdings of the foundation to influence a corporation for their own benefit, in our experience these abuses are exceedingly rare and could be dealt with under existing law. The regime has overly broad application and will impact private foundations across Canada in ways we expect the Department of Finance has not understood.

Safe Harbour

Where a private foundation holds 2% or less of all outstanding shares of each class of a corporation, the foundation will not be required to monitor, report or divest itself of any shares.

Monitoring Phase

If at any time in a taxation year a private foundation holds more than 2% of the outstanding shares of a class of a corporation, it will be required:

1. To determine and report to the Canada Revenue Agency (CRA), the shares held at the end of the year in all share classes of that corporation, by it and by any person not dealing with it at arm's length.
2. To report any transaction involving more than $100,000 worth of shares of a particular class or more than 0.5% of the outstanding shares of a particular class by the foundation or the non-arm's length person(s) occurring during the period when the foundation's shareholdings were over 2%.

While this information is expected to be publicly available on the CRA Charities Directorate website in the annual return, the names of the non-arm's length persons will not be listed.

Divestment Required

Where the private foundation and non-arm's length persons together hold more than 20% percent of all outstanding shares of a share class of a corporation, in addition to the reporting requirements, the foundation and the non-arm's length persons must reduce their combined holdings to 20% or less. The deadline for this divesture will depend on how the excess arose and CRA will have discretion to defer

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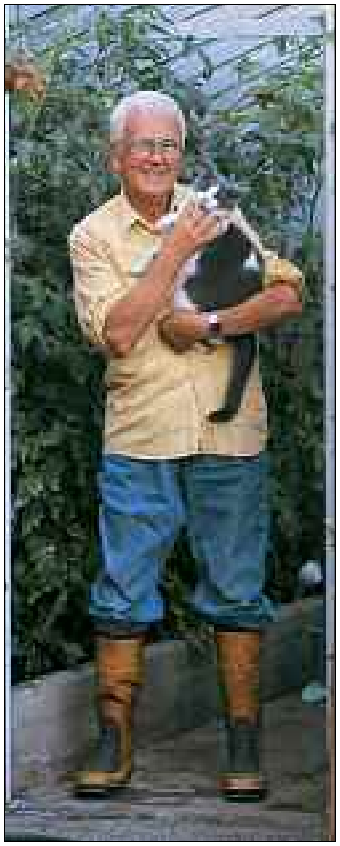
Aligning Personal Values with Giving Objectives



What would you choose to do with your time if money weren't an issue? Who and what are most important to you? What do you enjoy doing most? These are questions that a career counselor might ask, but they apply equally to charitable giving decisions.

Cynthia Kett

Time and money are limited. Therefore, it makes sense to plan the use of these two resources to achieve your life objectives, one of which may be to benefit the world in which we live.

Do you plan your charitable giving or do you allocate your donations in a haphazard manner? A planned approach might be to:

1. Ask yourself the questions above;
2. Decide in advance which organizations you'd like to benefit based on your answers;
3. Divide your total donated time and money amongst the charities that you've selected.

This structured process will help you to make a conscious decision to align your personal values with your giving objectives. The charitable mandates that matter most to you will receive the majority of your donated time and money. Your relative contributions to those organizations will be more meaningful to them and to you.

For example, let's say that if money weren't a concern, you

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Estate and Tax Planning with the 2007 Federal Budget

James A. Hutchinson & Amanda J. Stacey

On March 19, 2007, Finance Minister Jim Flaherty announced the 2007 Federal Budget.

For individuals, the budget includes changes to the Registered Education Savings Plans (RESPs), a new child tax credit, changes to the lifetime capital gains exemption, and changes to the age limit for maturing Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs).

Of interest to corporations are changes to the capital cost allowance rules for manufacturers and certain "green technologies" as well as changes to certain international taxation rules.

Registered Education Savings Plans

The 2007 Federal Budget proposes changes to the lifetime limit on contributions. The lifetime limit on contributions is increased to $50,000 from $42,000. As well, the annual limit on contributions is eliminated. In other words, if desired, when an RESP is established, it can be funded with the full lifetime amount. The maximum annual Canada Education Savings Grant (CESG) is increased to $500 while the lifetime CESG remains unchanged at $7,200.

New Child Tax Credit

The 2007 Federal Budget proposes a new non-refundable child tax credit for parents. The proposed credit is based on an amount of $2,000 for each child under age 18 at the end of the year, beginning with the 2007 taxation year. It is proposed that this credit be indexed to inflation, and unused credit amounts may be transferred between spouses.

Lifetime Capital Gains Exemption

The budget proposes an increase to the lifetime capital gains exemption for qualified small business corporation shares and qualified farming and fishing property. Under the proposals, the exemption will be increased to $750,000 (from the current $500,000 exemption) for dispositions of property occurring on or after March 19, 2007. Transitional rules will apply for 2007.

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Gifting Stock Options

Proper handling of stock options can provide significant tax savings.

Jo-Anne Ryan

Stock options can be an important component of an overall compensation plan. These options are granted by a corporation to certain employees and confer the right to buy a specified number of the corporation's shares at a pre-determined price (the exercise price) during a particular time period.

From the perspective of the granting corporation, stock options may constitute a powerful tool to attract and retain top talent. They are typically granted to senior executives but some companies also offer them to rank-and-file employees. According to Watson Wyatt, a high profile human resource consulting firm, 98.6% of companies in the S&P/TSX Composite Index had stock option plans in place in 2003.

When stock options are exercised, the difference between the stock's fair market value and its exercise price is considered a taxable employment benefit and is taxed at the same rate as a capital gain. This means that 50% of the difference is taxable as income. However, if the stock is donated to a registered Canadian charity within 30 days of the exercise date (provided it is within the same calendar year) the tax is eliminated.

Over many years of working with executives in an advisory capacity, I have been struck by their commitment to charitable giving, not only in terms of their time but also in terms of financial support. However, opportunities to maximize tax benefits by gifting stock, including stock obtained through the exercise of stock options are often overlooked.

I have also found that it is all too common for an executive's investment portfolio to have a large concentration in a single stock that of his or her employer. Such a concentration may provide a strong incentive to work hard on behalf of shareholders who, after all, include the executive. Unfortunately, such a lack of diversification entails considerable risk for the executive since much of his or her wealth is tied to the ups and downs of a single company's share price.

However, if the executive is philanthropically-minded, and it appears that many are, stock options can be used to reduce this risk while fulfilling charitable objectives in a tax efficient manner. See the case study below for an example.

Everyone's situation is different, so consult your tax advisor to determine the most appropriate strategy for your situation.

CASE STUDY - Gifting Stock Options

An Executive of XYZ Corporation was heavily invested in stock and stock options of XYZ Corporation. In fact, 90% of his investment portfolio consisted of this one position. He gives generously to several charities each year by writing a series of cheques. We worked out the following scenario with him:

Step 1: He exercised one set of options and sold the stock he received.

Step 2: With the help of his investment advisor, he invested the proceeds of the sale in a diversified portfolio.

Step 3: We calculated the tax liability generated in Step 1 and used this calculation to determine a target amount of stock that should be donated to a charity to offset the liability.

Step 4: He exercised a second set of options and donated the stock to the Private Giving Foundation, a registered Canadian charity. The Foundation will invest the funds and direct income and capital appreciation to charities recommended by the executive.

Benefits:

- The concentration of XYZ stock in his portfolio was reduced and his overall level of diversification was improved.
- His donation of shares to the Private Giving Foundation was tax-free. Furthermore, as a result of the donation he received a charitable tax receipt that can be used to offset the tax liability generated in Step 1.
- The donor advised fund arrangement will allow him to direct his charity dollars as he sees fit, but without the necessity of writing cheques each year and without the set-up, on-going legal fees and administrative burdens associated with establishing and maintaining a private foundation.
- If he wishes, he may name the fund and even name a successor to direct his charitable dollars and ensure that his philanthropic legacy is carried on by future generations.

The Changing Nature of Philanthropy

Brad Offman

Bill Gates originally expected to give away his fortune much later in life. But the World Bank's *1993 World Development Report* convinced him to accelerate his plans. "My personal commitment to improving global health started when I learned about health inequities," said Gates in a 2002 speech. "My wife Melinda and I were stunned to learn that 11 million children die every year from preventable causes." So at age 45, Gates set up the Bill and Melinda Gates Foundation (the Gates Foundation). The Foundation has made total grant commitments of $10.5 billion since it began in 2000. Today, Bill Gates is not only the world's richest person; he is also the world's most well known philanthropist.

In a similar vein, for decades Warren Buffett said that his wealth would be distributed after his death. However, in June 2006, Buffett announced plans to donate $31 billion to the Gates Foundation, effectively doubling the assets of what is already the largest foundation in the world. Why now? "I know what I want to do, and it makes sense to get going," said Buffett.

Giving money away earlier is just one of the trends of the new philanthropy. While previously the bulk of charitable foundations were set up through bequests, there has been a dramatic rise in the number of foundations set up by the living. Today, 'the sooner the better' seems to be the motto of new philanthropists, who prefer to actively shape a personal legacy during their lifetimes and see the benefit of their contributions.

Other billionaires who set up foundations while relatively young include Sergey Brin and Larry Page, the founders of Google, who launched the Google Foundation in 2005 while in their early 30s. Also, eBay founder Pierre Omidyar launched the Omidyar Network with his wife Pam in 2004 when he was 37 years old.

The Rise of Venture Philanthropy

Like Gates and Buffett, many of today's prominent philanthropists earned their wealth through investments or business success rather than through inheritance, thanks largely to the technology boom and bull market of the late 1990s. As such, they also tend to apply a businesslike approach to giving, a practice sometimes called "venture philanthropy". These donors behave much like investors, allocating their dollars where they feel they will make the greatest difference. In economic terms, you could say they are attempting to maximize their social return. This was Buffett's strategy in giving to the Gates Foundation. When asked why he chose to give to someone else's foundation instead of setting up his own, Buffett responded, "Who wouldn't want Tiger Woods to take his place in a high stakes golf game? That's how I feel about this decision about my money."

Going Global

One of the more striking things about the Gates Foundation is its biggest focus - global health. About 70% of grants go to global efforts, while 30% are dedicated to causes inside the United States. The Foundation gave global philanthropy a huge boost in August 2006, pledging half a billion dollars to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Such visible global aid is encouraging more individual global giving as well. While in the past funding for global

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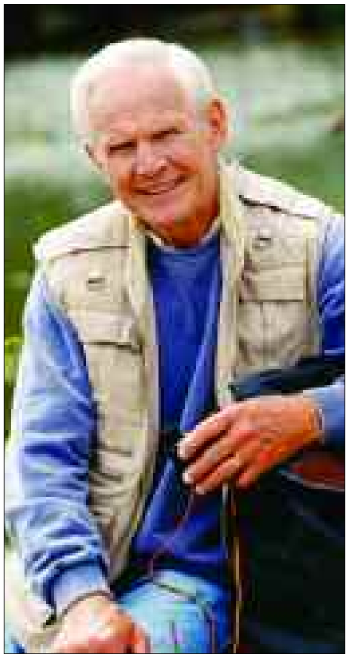
The RichLife: Live Well, Give Back, Leave A Legacy

On our gravestones, two dates will be marked: the day we are born and the day we die. But life takes place in the space, the dash, in between. We are all somewhere in our dash.



Susan Latremoille

We each define our own success. We can evaluate our priorities. We can write our own obituaries, and then live up to them. We can imagine how our grandchildren will talk about us, and then we can change if we want them to say something different. Just like Ebenezer Scrooge in Dickens' *A Christmas Carol*, we have the opportunity to see into the future, envision what we want it to be, and then to plan for it, and make our dream a reality.

What's your definition? What does living the RichLife mean for you? What will it take for you to look back at your life with a sense of satisfaction and fulfillment? I have heard some sad stories from my clients through the years, and each time I hear one it makes me wish that I could have met this person years earlier and helped them to see their finances are an important part of their life, not their whole life.

The RichLife is not just about money, though money can certainly be an invaluable enabler.

> **THE RICHLIFE**
>
> **Live Well:**
> *work hard, enjoy a good lifestyle and a good life*
>
> **Give Back:**
> *work smart, create wealth and use it to make the world a better place*
>
> **Leave a Legacy:**
> *build something that you can be proud of and that your families and friends can be proud of after you are gone*

Making, keeping, and growing wealth can be an honourable objective, especially when it is done with the thought of how that wealth can be used to create a better experience of life for ourselves and for others. Money is vital, but we need to make sure it is worth more than the paper it is printed on.

It is important for people to live well, to enjoy the rewards of their hard work, to have the kind of life that serves both their needs and their passions. For some, living well means having enough money to give some of it away. Travelling. Having more than one pair of eyeglasses. For others it means being healthy, enjoying work instead of dreading it, having satisfying relationships with family and friends. It means finally banishing the worry that kept them on edge and sometimes left them sleepless. Living well is physical, mental, emotional, spiritual and financial comfort.

It is important to give back; giving back feels good. You can give back to your family, to your community, to your city or to your country, to people whose lives may have been touched by something that touched yours – illness, accident, tragedy, or love.

No matter what people do, they leave a legacy. It may be a legacy they intended to leave, or it may not. Their legacy may be as lasting as an opera house or museum wing, or it may be as ephemeral as how they are remembered by their family and their friends. What will be your legacy?

Let us all strive to live the RichLife. This is the journey.

Adapted from The RichLife: Managing Wealth and Purpose by Susan Latremoille. Susan is the founder of The Latremoille Group, and a First Vice President and Wealth Advisor at Richardson Partners Financial's Toronto office.
www.TheLatremoilleGroup.com

Building a Legacy with Endowed Gifts

Terrance S. Carter

An endowed gift should be a fundamental building block of a planned giving program for any charity, and it is becoming an attractive option for donors who would like to make a gift of lasting value. The capital and/or the income can be restricted to a particular use, such as scholarships or research, or can be left unrestricted and used for the general charitable purposes of the charity. The yearly disbursement of income and capital by the charity can be left to the discretion of the charity or it can be made subject to donor advice, for example, a donor advised fund.

When structuring a donor endowment agreement, donors and their professional advisors, as well as the recipient charity, need to consider a range of factors, including:

- Is there to be a minimum amount required to establish an endowment agreement?
- Is the fund created by an endowment agreement to consist of, for example, monies or gifts of stock?
- Is the capital of the fund to be held in perpetuity or only on a long-term basis (i.e., at least ten years as a minimum)?
- What is the purpose of the fund, e.g., is there to be a restriction in relation to the use of the income and/or capital or can it be used for the general charitable purpose of the charity?
- Is the investment policy of the charity to be incorporated by reference into the endowment agreement or is the donor allowed to impose specific investment terms of reference on the gift?
- Does the charity have a disbursement policy to determine how much income is to be paid out each year from the endowed fund to the benefit of the charity?
- Does the endowment agreement permit a transfer of the endowed fund and change of trustee to another charity, such as to a parallel foundation?
- Does the endowment agreement include a clause to permit the charity to change the purpose of the gift in the event that the original purpose becomes impossible or impractical?
- Does the endowment agreement need to include provisions to protect the endowed gift by requiring it to be transferred to another charity in the event of the insolvency, bankruptcy or winding up of the charity?
- Is the donor to be given naming rights, such as in relation to the endowment fund, a program or building of the charity, and if so, for how long?
- Does the charity wish to reserve the right to refuse or even return the gift made to the endowment fund and if so under what circumstances?
- Has the donor been advised to seek independent legal and/or tax advice?

Structuring an endowed gift is a multi-faceted process, particularly when new legislative initiatives must be considered, such as recent changes to the Income Tax Act.

For further articles on endowed gifts and donor restricted charitable trusts, readers are invited to visit www.charitylaw.ca.

Terrance S. Carter is Managing Partner at **Carters Professional Corporation**, practises in the area of charity and not-for-profit law with an emphasis on fund-raising and gift planning, and is counsel to and affiliated with Fasken Martineau DuMoulin LLP. Mr. Carter is a frequent author and speaker in the area of charity and not-for-profit law and has been recognized by Lexpert as one of the leading Canadian experts in this area.

Donor Advised Funds Easy, Quick, Smart!

Would you like the privileges of a private foundation without all the work? A donor advised fund may be the answer for you.

Terry Smith

A donor advised fund is similar to creating your own 'private foundation', but simpler. There are many different types of organizations that offer donor advised funds, from charities to financial institutions. The process is generally simple and straightforward:

First, you need to establish a donor advised fund with a registered Canadian charity, name the fund and make a donation. Next, the funds are invested by the charity and earn income that will in turn be available for charitable purposes. Finally, you will have the opportunity to recommend annual grants from the donor advised fund to your favourite registered Canadian charities. To create a lasting legacy for your family, you can also name successors to the fund, ensuring your children and grandchildren have the opportunity to continue your tradition of philanthropy for generations to come.

Once established, managing your donor advised fund is easy. All administration and reporting is done by the charity while the donor reaps several important benefits:

- When a contribution is received, you will be issued an official charitable tax receipt. To contribute to your donor advised fund, you may opt to donate cash, securities (a great tax benefit as capital gains tax on gifts of publicly traded securities to charities has been eliminated) and, with some charitable foundations, other assets such as insurance, real estate, art, a bequest, or by naming the charity as beneficiary of a registered retirement plan.
- The fund is invested and may benefit from an improved rate of return as an endowment is usually pooled with other funds. This creates an opportunity for for the fund to grow and thereby increase the amount available for granting to charities each year.
- Annually, you recommend what charities should receive grants and the charity handles the fund administration at a low cost.

As a donor, there are a wide range of unique organizations you can consider when deciding on a donor advised fund. You can establish your own fund at one of the major financial institutions, such as Scotia Private Client Group's Aqueduct Foundation or TD Waterhouse's Private Giving Foundation.

Some Community Foundations also offer donor advised funds. Not only can they manage and pool your gifts, they also can provide valuable community advice on charitable needs and help donors identify the most appropriate charity

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Miller Thomson is a national full service law firm with over 500 professionals working from 10 offices across Canada. Our lawyers have over 50 years of experience in estate, tax and gift planning, structuring endowment programs and representing charitable and not-for-profit institutions, their directors, trustees and donors.

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Carters Professional Corporation is one of the leading firms in Canada in the area of charity and not-for-profit law and provides a full range of related legal services. With offices in Ottawa, Mississauga and Orangeville, Ontario, as well as meeting facilities in Toronto, London, Guelph and Vancouver, Carters provides assistance to clients across Canada and internationally.

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Website: www.scotiabank.com

Financial Planning

Blueprint Wealth & Estate Planning Inc.

44 Victoria Street, Suite 1417
Toronto, ON M5C 1Y2

Contact: Peter Bennett, CFP,CLU,ChFC
Bill Poole, CFP, CLU, ChFC
Phone: 416-203-1977
Fax: 416-203-1574
Email: info@blueprintwealthinc.ca

Using a values based planning process, we help our clients secure what they value, build what's important, and pass on what is lasting.

Wealth Management

Foyston, Gordon & Payne Inc.

1 Adelaide Street East, Suite 2600
Toronto, ON M5C 2V9
Contact: Mark Klinkow, CFA, Portfolio Manager
Phone: 416-362-4725 ext. 265
Fax: 416-367-1183
Email: mklinkow@foyston.com

FGP is a discretionary investment counsel. We use a value style that emphasizes the preservation of capital. FGP manages wealth for individuals, endowments, foundations and pension funds.

Website: www.foyston.com

The Griffin Group, Blackmont Capital Inc.

4100 Yonge Street, Suite 500
Toronto, ON M2P 2B5
Contact: Nancy Griffin, CFP
Phone: 416-874-8937
Fax: 416-221-1958
Email: ngriffin@blackmont.com

Wealth Advice designed to encourage generosity through wealth management – so that your personal passions are reflected in your financial plan – thereby creating your ongoing personal Passionate Legacy.*

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www.blackmont.com/thegriffingroup

RBC Private Banking

Royal Bank Plaza
200 Bay Street, 10th Floor
Toronto, ON M5J 2J5
Contact: Nora Jones, CA, MBA, CFP, TEP
Phone: 416-974-6296
Fax: 416-974-5380
Email: nora.jones@rbc.com

RBC Private Banking offers customized services for individual clients and their families, trusts and holding companies through a one-on-one relationship with a Private Banker who can provide planning for estates/trusts and charitable giving, as well as develop tailored solutions for investment and credit needs.

TD Waterhouse Canada Inc.

161 Bay Street, 3rd Floor
Toronto, ON M4J 2T2
Contact: Jo-Anne Ryan, Vice President, Philanthropic Advisory Services
joanne.ryan@td.com

Jo-Anne is responsible for developing philanthropic planning strategies. She is also the architect and Executive Director of the Private Giving Foundation, the first donor advised fund program to be launched by a financial institution in Canada as a simple alternative to a private foundation. Jo-Anne specializes in working with executives and business owners to develop tax effective philanthropic planning strategies.

www.tdwaterhouse.ca/privategiving

TD Waterhouse Private Client Services

66 Wellington St. West, 2nd Floor
Toronto, ON M5K 1A2
Contact: David Kelly, MBA, CIM, FCSI Regional Vice President and Market Leader
Phone: 416-944-5314
dave.kelly@td.com

Our Centres leverage teams of experts to provide integrated banking, investment, insurance and estate and trust solutions through a seamless, holistic approach to wealth management.

www.tdwaterhouse.ca

Philanthropic Advisor

Philanthropic Partnerships Inc.

33 University Avenue, Suite 1207
Toronto, ON M5J 2S7
Contact: Terry Smith
Phone: 416-357-1231
Fax: 647-438-7489
Email: terrysmith@philanthropic.ca

Providing support to donors and corporations in their philanthropic giving, including; matching donors and charities, assessments, philanthropic planning, grant making and monitoring results.

Website: www.philanthropic.ca

Charities

AboutFace

123 Edward St., Suite 1003
Toronto, ON M5G 1E2
Contact: Ann Gorwill, Manager of Development
Phone: 416-597-2229
Fax: 416-597-8494
Email: anng@aboutfaceinternational.org

AboutFace provides information services, emotional support and educational programs for children and adults with facial disfigurements living in Canada and internationally.

Website: www.aboutface.ca

Arthritis & Autoimmunity Research Centre (AARC) Foundation

190 Elizabeth Street
R. Fraser Elliott Bldg., 5th Floor
Toronto, ON M5G 2C4
Contact: Gerri Grant – Executive Director
Phone: 416-340-4975
Email: aarc.foundation@aarcf-uhn.ca

The AARC Foundation at University Health Network raises funds for arthritis and related autoimmune and musculoskeletal disease research at Canada's most comprehensive centre in this field.

Website: www.beatarthritis.ca

The Arthritis Society

393 University Avenue, Suite 1700
Toronto, ON M5G 1E6
Contact: Sandra Dow, ext. 343
Phone: 416-979-7228
Fax: 416-979-8366
Email: sdow@on.arthritis.ca

The Arthritis Society is Canada's principal non-profit organization dedicated to searching for the underlying causes of arthritis, and funding vital research, educational programs and community support services.

Website: www.arthritis.ca

The Canadian Hearing Society
271 Spadina Road
Toronto, ON M5R 2V3
Contact: Katherine Hesson-Bolton
Manager, Major & Planned Giving
Phone: 416-928-2500
Fax: 416-928-2506
Email: khessonbolton@chs.ca

Providing services, products, and information that remove barriers to communication; advance hearing health; and promote equity for deaf, deafened, and hard of hearing people.

Website: www.chs.ca

Canadian Mental Health Association, Ontario
180 Dundas St. West, Suite 2301
Toronto, ON M5G 1Z8
Contact: David Alge
Phone: 416-977-5580 / 1-800-875-6213
Fax: 416-977-2813
Email: donate@ontario.cmha.ca

Working on behalf of, and with our Branches, CMHA, Ontario promotes mental health and advances excellence in the delivery of mental health services through knowledge transfer, policy development, advocacy and the inclusion of consumers and family members in decision making.

Website: www.ontario.cmha.ca

Christian Children's Fund of Canada (CCFC)
1200 Denison Street
Markham, ON L3R 8G6
Contact: Dorothy Tam, CFRE
Barry Boyack
Phone: 905-754-1001
Fax: 905-754-1002
Email: dtam@ccfcanada.ca

CCFC reaches out around the world to children in need, families and communities of all faiths to demonstrate Christ's love.

Website: www.ccfcanada.ca

The Heart and Stroke Foundation of Ontario
2300 Yonge Street, 13th floor
Toronto, Ont. M4P 1E4
Contact: Mary Goodfellow, Planned Giving Officer
1-800 205-4438 ext. 2
email: plannedgifts@hsf.on.ca

Invest in a future filled with promise, and include the Heart and Stroke Foundation in your will. You are supporting leading heart and stroke research that will make a lasting difference in the lives of every Canadian, for generations to come. Your legacy will line on in all of us.

Website: www.heartandstroke.ca

Juvenile Diabetes Research Foundation (JDRF)
7100 Woodbine Avenue, Suite 311
Markham, ON L3R 5J2
Contact: Maureen Pryce
Phone: 905-944-4628
Fax: 905-944-0800
Email: mpryce@jdrf.ca

JDRF's mission is to find a cure for diabetes and its complications through the support of research.

Website: www.jdrf.ca

Mount Sinai Hospital Foundation of Toronto
522 University Avenue, Suite 1001
Toronto, ON M5G 1W7
Contact: Yolanda Bronstein
Phone: 416-586-4800
Fax: 416-586-8639
Email: foundation@mtsinai.on.ca

The Foundation lends support to advance the patient care, teaching and research initiatives of Mount Sinai Hospital and it's world-renowned Samuel Lunenfeld Research Institute.

Website: www.mtsinai.on.ca/foundation

Multiple Sclerosis Society of Canada
175 Bloor St. E., Suite 700, North Tower
Toronto, ON M4W 3R8
Phone: 1-866-679-4557
Fax: 416-922-7538
Email: bequesthelpdesk@mssociety.ca

To be a leader in finding a cure for multiple sclerosis and enabling people affected by MS to enhance their quality of life.
May is MS Awareness Month

Website: www.msbequesthelpdesk.ca

Pet Trust, OVC
Alumni House, University of Guelph
50 Stone Road East
Guelph, ON N1G 2W1
Contact: Andrew Moore ext. 54370
Phone: 519-824-4120 ext. 54431
Fax: 519-822-2670
Email: pettrust@uoguelph.ca

OVC Pet Trust promotes the health, health care, and wellbeing of companion animals by supporting studies, projects, and students at the Ontario Veterinary College.

Website: www.pettrust.ca

The Princess Margaret Hospital Foundation
610 University Avenue
Toronto, ON M5G 2M9
Contact: Jill Nelson, Director of Planned Giving
Phone: 416-946-6562
Fax: 416-946-6563
Email: legacy@pmhf.ca

Princess Margaret Hospital is the only hospital in Canada completely dedicated to cancer and is one of the top cancer hospitals in the world.

Website: www.pmhf.ca

Providence Healthcare Foundation
3276 St. Clair Avenue East
Toronto, ON M1L 1W1
Contact: Gloria Vidovich, Director, Planned Giving
Phone: 416-285-3630
Fax: 416-285-3753
Email: gvidovic@providence.on.ca

Providence Healthcare, a Catholic-sponsored facility, provides rehabilitation, complex continuing care, long-term care and outreach programs within a welcoming community of compassion, hope and healing.

Website: www.providence.on.ca

Royal Ontario Museum Governors
100 Queen's Park
Toronto, ON M5S 2C6
Contact: Michelle Osborne, CFRE
Phone: 416-586-8012
Fax: 416-586-5649
Email: mosborne@rom.on.ca

The Royal Ontario Museum Governors raises and manages funds in support of the Royal Ontario Museum. Each year, the office of the ROM Governors grants funds received from outright gifts and endowment earnings for acquisitions, collections care, gallery and exhibit development, research and education.

Website: www.rom.on.ca

Ryerson University
350 Victoria Street
Toronto, ON M5B 2K3
Contact: Janet Nankivell
Phone: 416-979-5000 ext. 7922
Fax: 416-979-5368
Email: plangift@ryerson.ca

With 23,000 students, Ryerson University is Canada's leader in career-focused education, with more than 80 graduate and undergraduate programs spanning a wide variety of disciplines.

Website: www.ryerson.ca

SickKids Foundation
525 University Ave., 14th Floor
Toronto, ON M5G 2L3
Contact: Angela L. Murphy
Phone: 416-813-8271
gift.planning@sickkidsfoundation.com

Our mission is to inspire our communities to invest in health and scientific advances to improve the lives of children and their families in Canada and around the world. Our vision: Healthier children. A better world.

www.sickkidsfoundation.com

Southlake Regional Health Centre Foundation
615 Davis Drive, Suite 304
Newmarket, ON L3Y 2R2
Contact: Julie Castle, Director, Major Gifts
Phone: 905-836-7333 / 1-877-457-2036
Fax: 905-836-5651
foundation@southlakeregional.org

Supporting Southlake Regional Health Centre, which provides a complete spectrum of acute care services as well as five advanced regional programs for York Region and South Simcoe County.

Website: www.southlakeregional.org

St. Michael's Hospital Foundation
30 Bond Street
Toronto, ON M5B 1W8
Contact: Cynthia Collantes, Planned Giving Officer
Tel: 416-864-5879
Fax: 416-864-5352
collantesc@smh.toronto.on.ca

Committed to helping St. Michael's Hospital fulfill and enhance its mission as inspired and fostered by the Sisters of St. Joseph, the St. Michael's Hospital Foundation is responsible for securing resources for the hospital's patient care, teaching and research efforts.

Website: www.stmichaelshospital.com

Sunnybrook Health Science Centre Foundation
2075 Bayview Avenue
Toronto, ON M4N 3M5
Contact: Sandra Scian
Phone: 416-480-5877
Fax: 416-480-6155
Email: sandra.scian@sunnybrook.ca

Sunnybrook is proud to be an academic centre of excellence, recognized as a world leader in patient care, education, research and knowledge transfer. Our primary focus areas include cardiac, cancer, orthopaedic and arthritic, neurosciences, as well as perinatal and gynaecology programs. Sunnybrook is home to one of Canada's largest Veterans' residences, and Canada's first and largest trauma unit.

Thank you for ensuring Sunnybrook Health Sciences Centre will continue to be there when it matters most.

www.sunnybrookfoundation.ca

Toronto General & Western Hospital Foundation
R. Fraser Elliott Building, 5S – 801
190 Elizabeth Street
Toronto, ON M5G 2C4
Contact: Paul Grossman, Associate Director, Major and Planned Gifts
Phone: 416-340-4854
Fax: 416-340-4864
Email: plannedgiving@uhn.on.ca

Toronto General & Western Hospital Foundation is dedicated to supporting excellence in healthcare by raising funds for leading-edge research, medical education and the enhancement of patient care at Toronto General Hospital and Toronto Western Hospital.

Website: www.tgwhf-uhn.ca

UNICEF Canada
1100 - 2200 Yonge Street
Toronto, ON M4S 2C6
Contact: Michael J. McClintock, Director Major Gifts
Phone: 416-482-4444 ext. 809
Fax: 416-482-8035
Email: secretary@unicef.ca

UNICEF works in 156 countries to promote child health, nutrition, and education, and to protect children from disease (including AIDS and Malaria), exploitation, natural disasters and conflict.

Website: www.unicef.ca

The United Church of Canada
3250 Bloor St. W., Suite 300
Toronto, ON M8X 2Y4
Contact: Bill Steadman, Executive Minister, Financial Stewardship
Phone: 416-231-7680 ext.2022
Fax: 416-231-3103
Email: giving@united-church.ca

The United Church supports congregations, education centres and schools, outreach ministries, global and ecumenical partners seeking peace, justice, and respect for creation.

Website: www.united-church.ca

University of Guelph
50 Stone Road East
Guelph, ON N1G 2W1
Contact: Ross Butler
Phone: 519-824-4120 ext. 56196
Fax: 519-822-2670
Email: rbutler@uoguelph.ca

Canada's top comprehensive university, engaged in teaching and research in food, health, the environment, energy, the arts and social science, agriculture and veterinary medicine.

Website: www.alumni.uoguelph.ca

World Vision Canada
1 World Drive
Mississauga, ON L5T 2Y4
Phone: 1-800-714-3280
Fax: 905-696-2161
Email: plannedgiving@worldvision.ca

World Vision is a Christian humanitarian organization working in almost 100 countries, to create lasting change in the lives of children, families and communities living in poverty.

www.worldvision.ca/plannedgiving

Federal Government Supports Giving to Private Foundations

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divestiture.

If the reduction does not occur within the specified time, the foundation will face a penalty of 5% of the value of the excess holdings at the end of the relevant period. The penalty is 10% for a second offence within five years. Failing to report the required information doubles these penalties.

Non-arm's Length

Non-arm's length persons for these purposes will include any person, or member of a related group of persons, that controls the foundation, and any person not dealing at arm's length with such a controlling person or controlling group members. There is an exception where a person is 18 years of age and living separate and apart from the controlling person or member of the control group and the Minister determines the person is dealing at arm's length.

Transitional Rules

To assist private foundations operating under the current legislative regime, transitional provisions will allow foundations to divest excess holdings present on March 18, 2007 over a period of five to twenty years. Subject to detail, the excess holdings should be reduced by 20% every five years until they are eliminated.

The government proposes to deny donors the exemption from tax on gifts of publicly listed securities to those private foundations not able to eliminate the excess holdings before March 18, 2012. It is not obvious why if the transition rules are appropriate, the government felt the need to add this penalty. Hopefully this aspect of the proposals will be eliminated.

Conclusion

Encouraging philanthropy with the extension of the capital gains exemption to gifts of public securities to private foundations is desirable. However, it is disappointing the government used this as an opportunity to propose such far reaching and complex rules which completely change the regulatory regime for existing private foundations. The excess business holdings rules penalize existing private foundations and add the compliance burden of monitoring the shareholdings of both the foundation and of non-arm's length persons.

Private foundations holding more than 2% of a class of private or public shares should seek legal advice immediately.

Susan Manwaring is a partner at **Miller Thomson LLP** and Chair of the National Charities and Not For Profit Industry Group. Her practice is focussed on providing advice to charities and not for profits across Canada. She can be reached at 416.595.8583 or smanwaring@millerthomson.com

Kate Campbell is an associate practicing charity and non-profit law at **Miller Thomson LLP**. kcampbell@millerthomson.com 416-595-8197

Make Giving Affordable

Do you consider yourself wealthy? If you're like most people, probably not. But as the old saying goes, "Wealth is not a prerequisite to be a planned giver. Assets are." And while this may seem like splitting hairs, it's a subtle but important distinction.

Joe Stephen

Most people assume that wealth and giving go hand-in-hand, and admittedly giving does increase as people climb the economic ladder. Donors from high-income households play a key role in donating to charitable organizations and causes. In fact, according to the *Canada Survey of Giving, Volunteering and Participating, 2004* by Statistics Canada, individuals with household incomes of $100,000 or more contributed 36% of the total value of all donations despite representing only 19% of the total population.

But research also suggests that it's not simply the absolute size of one's wallet that impacts giving, but a subjective sense of overall financial security. In other words, it's not about the amount of cash in your bank account, it's about whether or not you believe you have the discretionary income to give.

Planning Strategies

Fortunately, there are planning strategies that can help you fulfill your philanthropic goals without making you feel like you're under financial duress. Strategies like donor advised funds that generally stretch out giving over a multi-year period are a solid option. Likewise, gifts of appreciated stock have a psychological appeal because it's money that was technically never in hand in the first place. But of all the strategies available, life insurance is probably the best way to maximize your giving without stressing over affordability.

By now, many of us can rattle off the litany of benefits associated with using life insurance to fund a planned gift. Like other strategies, it can be set up in advance, paid on an "installment" plan and yields attractive tax benefits. But life insurance is unique in harnessing the multiplier effect. Using the power of leverage, life insurance can turn relatively modest contributions into an ultimately substantial gift. Premiums that are a fraction of the gift's final value can add up to a considerable donation without impairing your overall sense of financial well-being.

While the benefits might sound familiar, few are aware of a common insurance option that can sweeten the pot still further — it's what's referred to in the industry as "joint-last-to-die." Joint-last-to-die means that two people share a single life insurance policy and the death benefit is paid out only when both policyholders have died.

Because the insurance company is insuring two lives, but only paying out the proceeds upon the second death, joint-last-to-die policies are typically much less expensive than purchasing a policy on one individual.

Consider the example in Chart 1 (below): a 40 year old

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Chart 1. Examples of monthly premiums for a $100,000 life insurance policy

	Joint-Last-to-Die Male and Female	Individual Policy Female Only	Individual Policy Male Only
Age 40	$33	$44	$54
Age 50	$49	$81	$101
Age 60	$88	$155	$192

Source: LifeGuide; permanent life insurance quotes from various companies, standard underwriting; non-smoker; Joint-Last-to-Die are shown both at same age.

Make Giving Affordable

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healthy, husband and wife wishing to fund a $100,000 gift using life insurance would save 31% in monthly premiums by opting for a joint-last-to-die structure as compared to a policy on a 40 year old male alone. That figure jumps to 54% in savings for a couple age 60 as compared to a policy on a 60 year old male.

Joint-last-to-die policies are particularly effective in settling an estate after the death of the second spouse — especially if there is a charitable gift involved. Charitable donations of the face amount (in this case, $100,000) are 100% deductible against the income reported in the final tax return of the deceased. Provided the charity is the designated beneficiary, the donation can then be used to offset taxable gains from cottages, securities or shares in a private business during the estate settlement process.

For example, many Canadians do not realize that their RRSP or RRIF assets are fully taxable as income in the year that the surviving spouse dies. At a 46% marginal tax rate, a $200,000 RRIF balance will pay only $108,000 to the estate of the surviving spouse. The $100,000 joint-last-to-die insurance proceeds can be left to a charity and still reduce the tax due in this example by 50%. See Chart 2 above.

Chart 2. Example of taxes owed on a $200,000 RRIF with and without a charitable gift with insurance

	Without Charitable Gifting or Insurance	Charitable Gift With Insurance
RRIF Balance	$200,000	$200,000
Less Charitable Gift	$0	$100,000
Taxable Amount	$200,000	$100,000
Taxes Owed @ 46% MTR	$92,000	$46,000

So you see, wealth is not a precondition for making a planned gift. Instead, it's the feeling that you can afford to give without impairing your overall worth or adversely affecting the financial security of your loved ones. In this regard, joint-last-to-die life insurance is a win-win strategy: you can leave a substantial legacy to the charity or cause of your choice while still being able to sleep at night.

Joe Stephen is life and living benefits specialist for **Stephen Financial Services Inc.** with expertise in using insurance as a strategic part of an overall tax, estate or charitable gift plan. He can be reached at joe@stephenfinancial.com

Planned Giving Internationally

Increasingly, Canadians are interested in using their donations to achieve global impact.

Mark Blumberg

Many are motivated by the enormity of global problems such as poverty, AIDS, education, or emergency relief. Others are impressed with the huge effect that their donation can have in a developing country – often many times greater than the same funds used at home. Others have lived abroad and have a substantial attachment to causes and communities outside of Canada.

There are many opportunities to make a gift that will have an impact outside of Canada, including bequests, gifts of marketable securities and other current or deferred giving vehicles. There are 82,000 registered Canadian charities and of that almost 12,000 currently conduct operations outside of Canada. Each charity has its own interests, values, perspective, level of experience, philosophies, expense ratios, and willingness to accept risk. If you are making a sizable gift, it is worthwhile to do your 'due diligence' to find the right charity and to structure the gift appropriately. As well, one can also encourage a charity that is not operating abroad to start doing so or to set up a new charity to operate abroad.

If you want to involve a Canadian charity in doing the work, and obtain a Canadian tax receipt, you will want to consider the rules and guidelines that apply to charities operating abroad. The Canada Revenue Agency (CRA) has prepared some useful publications on Canadian charities operating abroad and the restrictions placed on them, the most important one of which is *Registered Charities: Operating Outside Canada (RC4106)*.

Perhaps the biggest misconception held by many is that a donor in Canada can make a donation or gift to a Canadian charity and that charity can then gift the funds to a foreign non-governmental organization (NGO) or foreign charity. The Canadian Income Tax Act allows charities to conduct their charitable purposes only by: 1) their own activities (at home or abroad) or 2) to give monies to another "qualified donee" (usually a Canadian charity but also the United Nations and a small number of foreign entities). A Canadian charity cannot gift money to a foreign NGO or foreign charity unless they are a qualified donee, and almost none are.

A Canadian charity can have employees outside of Canada but can only transfer funds to a foreign charity or NGO in a limited number of circumstances. These would include the Canadian charity conducting its own activities abroad, including by written agency, joint venture, cooperative partnership agreement between the charity and a foreign agent, joint venturer or partner who carries out the project on behalf of the Canadian charity. A Canadian charity can also use a private contractor by written agreement to, for example, drill a well.

If a bequest is used they should always be handled carefully including ensuring that there is clarity of the gift, validity of the Will, capacity of the donor, that the correct name of the organization is used and that it is, in fact, a charity. There also needs to be careful consideration of any restrictions or conditions in the Will. Any legally binding restrictions or conditions in a bequest should carefully consider the position and legal responsibilities of the charity that must either obey such directions or refuse the gift. Poorly thought out restrictions also can impose enormous administrative costs and inefficiencies on the charity.

The rules governing Canadian charities operating abroad, while somewhat complicated, are not too onerous, and it is important that they and their donors understand the rules and comply with them. Otherwise the charity could face the possibility of fines and the revocation of its charitable status. Canadians who want to support charitable work carried on outside of Canada should do so carefully and strategically.

Mark Blumberg of **Blumberg Segal LLP** has assisted many individuals and charities interested in operating outside of Canada and can be reached at mark@blumbergs.ca.

Aligning Personal Values with Giving Objectives

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would work to address environmental problems and matters of children's health and well-being. These issues are important to you because you love to travel and in the course of your travels, you've observed the impact of society's disregard for the environment. You've also seen how poverty and lack of education can result in a bleak existence for children of developing countries. You enjoy spending time with family and friends, travelling (meeting new people and seeing new places), writing, public speaking, and teaching, which allows you to both impart knowledge and to learn new things from your students.

How can your personal values shape your giving plan? If you were ambitious and could afford the time and money to do so, you could volunteer your services to a humanitarian group with overseas projects to build schools for children in impoverished areas. You could elect to go for a finite or an extended period. Depending on the time that you had available, you could help to build a school (perhaps recruiting family and friends, too) or volunteer to teach after a school is built. By educating the children (and their families), environmentally-sound alternatives could be developed for generating income in place of logging nearby hardwood forests. After you return home, you could increase the awareness of the organization's projects by writing and speaking to donors and other interested parties.

How have your personal values been reflected in your donation of time and/or money? You satisfied your love for travelling. If you were able to convince family and friends to join you, you shared a unique experience with them. You used your teaching skills to benefit children, their families and their environment. You used your writing and speaking abilities to encourage others to participate.

Not everyone can undertake a project of such magnitude; however, there are multitudes of worthy causes close to home. If you examine your personal values, you can find meaningful ways to make a difference.

Cynthia Kett, CA, CGA, RFP, CFP is Principal of **Stewart & Kett Financial Advisors Inc.**, an advice-only financial planning, accounting and tax services firm in Toronto

A Summary of Charitable Giving Options

The "Late in Life" community in Canada is experiencing a phenomenon. A strong and vibrant group of Canadian philanthropists are now choosing to self-direct their income taxes. One of the most popular choices is to leave one's final income tax bill to their favourite charity.

Whitney Hammond, CFP

Planned giving today is a beneficial component to a sound financial plan. Recent statistics report that 5.7 million Canadians contributed 6.9 billion dollars to charitable organizations last year alone.

Many individuals may not realize the impact of deferred taxes that will erode their estate on death. Aside from a tax free spousal rollover, all assets will become a deemed disposition on death where the Canadian Revenue Agency (CRA) will claim all final income taxes owing. To name a few taxable assets:

- **RRSPs/RRIFs**
- **Stocks**
- **Mutual Fund Portfolios**
- **Capital Property**
- **Holding Companies**
- **Shares in a Private Corporation**

With some simple planning a creative solution can be found.

Current maximum tax relief available: 75% of annual net income and 100% of net income in the year of death and preceding year.

Beneficiary Designation

If an individual designates a charity as beneficiary of their RRSPs and RRIFs, they can flow directly to the named charity therefore by-passing probate and legal fees. Any percentage can be designated allowing multiple beneficiaries of family and/or charity. Non-registered investment products at life insurance companies (and there are many) can accommodate a designated beneficiary which would flow directly to charity, also by-passing probate and legal fees. No codicils or new Will drafting is required.

Donor Advised Funds

Donor advised funds allow a donor to reap many of the benefits of a private foundation without the complexity. They offer a wide choice of investments and the flexibility to recommend the charities that will benefit from a fund. The donor may contribute gifts throughout their lifetime as well as through their estate as part of their legacy.

Charitable tax receipts are issued for each donation to a donor advised fund.

Life Insurance

There are many ways a donor can make a gift using life insurance:

Donate an existing life insurance contract to your favourite charity. A tax receipt is issued equivalent to the cash surrender value of the contract. (This transfer of ownership is considered a deemed disposition).

Name a charity as the primary beneficiary of a personally owned life insurance policy. A tax receipt equivalent to the death benefit will be issued to the estate upon the passing of the insured.

Purchase a new insurance policy making the charity the owner and beneficiary. The insured will receive an annual tax receipt for each premium paid. No tax receipt is issued to the estate upon death. This is a brilliant way of creating a legacy as the cost of insurance is a fraction of the future realized gift.

Charitable Gift Annuities

Donate a sum of money to charity and the remainder purchases an irrevocable annuity that will pay continued income to the donor for life.

Charitable Remainder Trusts (CRTs)

A CRT is an irrevocable, inter-vivos (living) trust established by a donor making a contribution. The donor would receive income from the trust during their lifetime and the charitable organization would be the beneficiary of the remainder of the trust assets.

Publicly Listed Securities

Donors can now gift appreciated stock or mutual funds and not incur a taxable deemed disposition; no capital gain taxes are incurred on the transfer of ownership. Donation receipts are issued for the fair market value of the securities.

For many of us, we feel grateful and blessed for the fruits of life. Giving can create a happy soul. Service can create a happy community and better environment.

What legacy would you like to leave?

Whitney Hammond is the founder of **Sovereign Wealth Management Inc.** in Burlington.
She has been successful in helping charitable organizations to strengthen their fund development capacity.
Planned Giving, Tax + Estate Planning, and Business Succession Planning are specialties in her practice.

The Changing Nature of Philanthropy

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health causes had been languishing, as Dr. Jim Kim, former HIV director at the World Health Organization puts it, "The Gates Foundation has made global health cool."

Though high profile donors such as Gates and Buffett make the headlines, more and more non-billionaires are also setting up their own donor advised funds, as they have become more readily available and affordable. Donor advised funds are currently offered by a range of organizations in Canada, from charities such as the Toronto Community Foundation and SickKids Foundation to financial institutions like TD Private Giving Foundation and Mackenzie Financial Corporation.

Demographic Trends

The potential for philanthropy is immense. In Canada, between $15 and $20 trillion is expected to shift from parents to their children between now and the middle of the century. Some portion will make its way into philanthropic aims, particularly as the recipients begin the estate planning process. The implications for the charitable giving sector are significant, as the bulk of these recipients are baby boomers that have quite different values from those of their parents. With this demographic, a new culture of giving is developing.

Doing It Their Way

As they have done in so many other areas of their lives, the baby boom generation is having a significant impact on the world of charitable giving. Not content to simply write a cheque and move on, donors expect transparency and accountability; they also want to be involved in how their donations are spent. Their focus is on solving specific problems, not funding services, and they want measurable results. To achieve their aims, many of these younger philanthropists are collaborating with existing charities. Conversely, many charities are revisiting the way they operate in order to attract their share of these dollars.

Conclusion

Philanthropy in Canada will experience some transformational shifts over the next decade. Charities will need to position themselves in order to thrive and survive and Canadian donors must continue to educate themselves in order to develop charitable giving strategies that maximize philanthropic impact.

Brad Offman is Vice President, Strategic Philanthropy at **Mackenzie Financial Corporation** and Managing Director of the Mackenzie Charitable Giving Fund.

Brad is past Chair of the Leave A Legacy Program for the Greater Toronto Area and served on the Executive of the Toronto Roundtable of the Canadian Association of Gift Planners.

Donations of Flow-through Shares

Rachel Blumenfeld and Susan Manwaring

Sophisticated investors will be familiar with the tax incentives provided for Canadians willing to invest in the domestic resource industry with a view to fostering exploration in Canada. Canadian mining and resource companies that issue “flow-through shares” are permitted to renounce their deductions for exploration costs and flow these expenses out to the shareholders. The shareholders in turn can deduct the expenses which are renounced to them subject to the limit that they cannot deduct more than the amount they originally paid for the shares. These resource expenses are generally fully deductible against other income. This “flow-through of expenses” makes the acquisition of an otherwise risky investment more attractive to an investor. The deductions claimed reduce the investor’s cost base of the flow-through share. Assuming the maximum deduction is claimed, the cost of the share to the investor is nil.

Once the exploration is complete, the flow-through shares are typically converted into other securities of the issuer or units of a mutual fund (on a tax deferred basis). Depending on the success of the investment, a significant taxable capital gain may accrue to the investor when the securities are ultimately sold or transferred.

Last year’s Federal Budget exempted from tax the gains realized on the donation of publicly listed securities to charitable organizations and public foundations. This year’s budget extended this exemption under certain circumstances to gifts of publicly listed securities to private foundations. This is a great incentive for owners of all publicly listed securities, but when you take this incentive for donations of publicly listed shares and couple it with the tax incentives available to the investor of a flow-through share the results are especially pronounced.

A Note of Caution

Companies issuing flow-through shares are often small junior resource companies with minimal liquidity and are potentially volatile. The shares are often subject to a hold period (usually two years) and may not retain their original value over the period. Charities should be particularly careful to ensure they will be able to find a market for the gifted shares. If the donated flow-through shares are not readily marketable at the time of the donation, the value for receipting purposes will likely be affected. It is important for the investor/donor and the charity to work together to ensure the gift of flow-through shares is a win-win for both parties. Both should obtain legal and tax advice regarding the transaction.

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Rachel Blumenfeld, a partner at **Miller Thomson LLP,** is a member of the firm’s Private Cient Services group and practices in the areas of tax and estate planning and charities and not-for-profit law. She can be reached at 416.596.2105 or rblumenfeld@millerthomson.com.

An Example of Gifting Flow-through Shares

An investor purchases $10,000 in flow-through shares of a publicly listed issuer. The issuer agrees to renounce the expenses to the investor and the investor receives $10,000 worth of deductions (assuming a marginal tax rate of 46%, the investor is able to save about $4,600 in tax; the investment has thereby essentially cost her$5,400). If the investor sells the flow-through shares once they are marketable, assuming the value remains at $10,000, because her cost has been reduced to zero, she will pay tax on the capital gain of approximately $10,000.

If the investor donates the flow-through shares to a registered charity (provided the shares are publicly traded at the time of the donation), the tax on the capital gain is eliminated. Moreover, she receives a tax receipt for the donation which can be used to shelter other income from tax. Assuming the donation tax credit is based on the current value of $10,000, which provides a tax savings of $4,600, the investor’s actual cost of the donation is only $800 ($5,400 - $4,600).

The results of such gifts can be overwhelmingly positive for both investors and charities.

Donor Advised Funds

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for their gifts. They also manage all the grant making and administration associated with your charitable gift.

An innovative approach has been developed by BMO with their "Supporting Your Community" program. BMO has formed a national alliance with the Community Foundations of Canada, the national organization of over 145 community foundations. This offers the best of both worlds with BMO providing fund management while the community foundation provides donor support in grant-making and administration - a great combination.

Investment counseling firms and mutual fund companies are also getting into the business of donor advised funds. For example, the CGOV Foundation, created by Cranston, Gaskin, O'Reilly and Vernon Investment Counsel, allows the partners and associates to contribute a percentage of their profits each year to the Foundation. Mackenzie Financial has created the Mackenzie Charitable Giving Fund. Clients may make donations to the Fund and their endowment can be invested in any one of eight balanced mutual funds professionally managed by Mackenzie Financial Corporation. Donors then recommend grants to their favourite charities from the income generated from their investments.

Even hospitals are creating donor advised funds, illustrated by SickKids Charitable Giving Fund. As the first hospital charity in Canada to offer donor advised funds, this program gives donors the opportunity to create a named fund that supports The Hospital for Sick Children as well as providing donors with the option of supporting other charities across Canada. A donor advised fund at SickKids gives flexibility to those wanting to support the hospital as well as other Canadian charities in a cost-effective, efficient manner.

Depending on the organization that helps you establish your donor advised fund, there is a minimum level required to start a fund. These range from as low as $5,000 to a high of $250,000. While quick

and efficient, there are fees that start from 0.75% of the fixed asset per annum. Some organizations charge a flat rate, while others charge an investment management fee as well as an administrative fee for grant-making. There can be other fees as well, so make sure you know what you are buying into. Before you choose your donor advised vehicle, do some research into the success of the organization's donor advised funds, the return on investment and the satisfaction of other donors in working with a particular organization. It is your gift and you want to make sure it is invested and managed wisely.

Donor advised funds are a great alternative to creating your own private foundation and some can be set up in as little as twenty-four hours. Easy, quick, smart!

Terry Smith is President, **Philanthropic Partnerships Inc.** providing strategic support to donors and corporations in their philanthropic giving. www.philanthropic.ca

Avoid Common Legal Problems When Making Bequests

Leaving a bequest to a charity in your Will can be an excellent way to support a cause you care for and create a lasting legacy. Unfortunately, if a Will is not written by a qualified lawyer, there may be problems and expenses for the charity. In some cases, it can result in the gift being declined. Donors should obtain legal advice when making a bequest to a charity.

Mark Blumberg

What does a lawyer add to the equation?

1) **Clarity** The lawyer ensures that the Will is clearly drafted to avoid subsequent confusion or conflict including using proper bequest clauses that will be of benefit to the executors of the estate and the charity.

2) **Validity** The lawyer ensures that the Will is properly executed in accordance with the provincial requirements which are quite complicated. If these provincial requirements are not strictly followed, the Will could be held to be invalid along with the bequest.

3) **Capacity** The lawyer can be a witness as to the testamentary capacity of the deceased at the time of making the Will. If the Will is set aside then the charity may not receive the bequest unless it was provided in a previous Will.

4) **Correct Name of Charity** A lawyer would conduct corporate searches on the charity to ensure the correct name is used and that it is clear which charity is receiving the bequest. This will avoid a conflict later between similarly named charities.

5) **Charitable Status** A lawyer can ensure that the "charity" is currently registered with the Canada Revenue Agency. There are many worthy non-profit organizations that are not registered charities and a gift to them by an individual will not result in a tax receipt.

6) **Acceptability of Bequest or Restrictions** Many conditions or restrictions are placed in bequests by well meaning donors without fully understanding the effect of such conditions or restrictions. A lawyer can make inquiries to a charity with respect to whether the proposed bequest is within the objects of the charity to ensure that the legacy is not ultra vires (outside) the objects of the charity. A lawyer can discuss with the charity whether any restrictions contemplated in the legacy are appropriate and whether the gift would be accepted. Many charities have gift acceptance policies, some of which limit who can give to the charity, what restrictions are acceptable and the types of gifts the charity is prepared to accept. If thought is given to this issue ahead of time a donor's intentions can be respected and alternatives can be found.

7) **Avoiding the "Disappearing Will"** Having a lawyer retain a Will in a "Will's safe", or at least a copy in the lawyer's file, will reduce the likelihood that the Will just "disappears" when other beneficiaries would receive a greater benefit if there were no Will and one dies "intestate". Another way to ensure that your wishes are respected is to inform the charity of the gift and perhaps even provide the charity with a copy of your Will.

8) **Other Planned Giving Ideas** There are times when a bequest may not be the most appropriate or tax effective method of making a gift. A major gift during the lifetime of the donor or another type of planned gift may be more suited to the donor's individual situation.

9) **Estate Planning** A lawyer can assist with many aspects of estate planning including Wills, powers of attorney for property, powers of attorney for personal care, trusts and other matters. A legacy left in a Will should be properly integrated with a donor's estate plan.

If you have any questions about including a bequest in your Will, please contact your lawyer.

Mark Blumberg of **Blumberg Segal LLP** has assisted many individuals and charities interested in operating outside of Canada and can be reached at mark@blumbergs.ca.

Estate and Tax Planning with the 2007 Federal Budget

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Age Limit for Maturing RPPs and RRSPs

Under the current rules, an RRSP and an RPP must be converted to a Registered Retirement Income Fund ("RRIF") in the year in which an individual attains the age of 69 years. The budget proposes to increase this age to 71 years. In other words, under the current proposals, an RRSP and an RPP must be converted by the end of the year in which an individual reaches the age of 71 years. Under the proposals, if an individual attains the age of 70 or 71 in 2007, that individual need not make a withdrawal from his or her RRIF in 2007. Similarly, if an individual attains the age of 71 years in 2008, he or she need not make a withdrawal from his or her RRIF. The changes permit an individual to contribute to their RRSP until the end of the year in which the individual turns 71.

RRSP Qualified Investments

Under the current rules, RRSPs and other registered plans are restricted to investing in "qualified investments" that are listed in the Income Tax Act. The 2007 Federal Budget expands this list to include debt obligations that are a part of a minimum $25 million issuance and that have an investment grade rating from a recognized credit rating agency.

Donation of Medicines for the Developing World

Under the current rules, where a Canadian corporation such as a pharmaceutical company donates its inventory to a registered charity, it receives a tax deduction equal to the fair market value of the property donated. However, it is also subject to an income inclusion for the same amount. The budget proposes to provide an incentive to corporations that donate medicines from inventory by providing an additional deduction equal to the lesser of:

(a) 50% of the excess of fair market value over cost; and
(b) the cost of the donated medicine;

upon a donation to a registered Canadian charity that receives Canadian International Development Agency (CIDA) funding. The donation must be used outside of Canada.

Increased Capital Cost Allowance for Certain Industries

The capital cost allowance (CCA) system under the Income Tax Act allows businesses to write off depreciating assets at certain prescribed rates. In order to boost the manufacturing sector in Canada, the budget proposes to increase the CCA rate for manufacturing and processing machinery equipment from 30% to a 50% straight line rate. This will mean tax savings for manufacturing corporations.

The budget also proposes to expand the list of certain "green technologies" that qualify for a favourable 50% CCA rate (i.e., wave and tidal energy). Conversely, the budget also proposes to phase out certain favourable CCA deductions for assets used in an oil sands project.

International Tax Developments

The 2007 Federal Budget not only focused on domestic taxing issues but also addressed many international tax issues. Included in these measures was the restriction on Canadian resident taxpayers to deduct the interest cost on money borrowed to invest in a foreign affiliate where the income of that foreign affiliate is not subject to tax in Canada. This will have a direct impact on many cross border transactions.

Under the current rules the withholding rate on interest paid to a non-resident of Canada is 25%. If the payment of interest is made to a resident of the United States the withholding tax is reduced to 10%. The budget proposes to eliminate withholding tax on interest payments made to a non-resident of Canada if certain conditions are met.

The budget also proposes that limited liability companies in the United States will be eligible for benefits under the Canada – United States Income Tax Convention. In the past, limited liability companies have been denied treaty protection.

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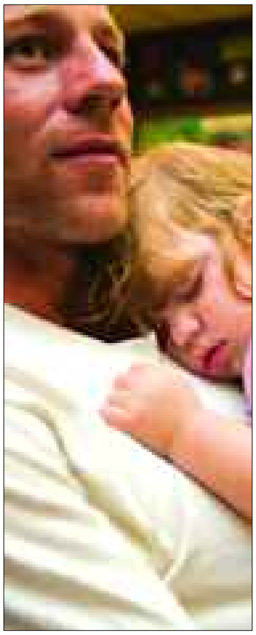
Celebrating a Canadian Philanthropic Milestone



Michael O'Mahoney

On May 2, 2006, the Federal Government eliminated capital gains tax for donations of appreciated securities to charities. As we mark the first anniversary of this historic decision, we also have an opportunity to reflect on its importance to our society.

I believe that, in future years, we will recognize this date as the moment when Canada's philanthropic landscape was transformed. Previously, Canadians, who are generous and community-minded by nature, possessed a limited menu of giving options. With the elimination of capital gains tax, Canadians have the opportunity to see their wealth in a new way, and to think in a more strategic manner about their charitable decisions.

It helped that the Federal Government acted during a period of robust economic growth. This convergence of growing wealth and expanding philanthropic options has created short- and long-term ripple effects across the country. In the short term, charitable organizations have experienced a spike in gifts of securities, which will help us all to expand our vital programs and plan for future development. Over the long term, I predict that more Canadians will begin to understand that their charitable giving need not be a momentary impulse, but can instead be a significant component of their financial portfolios and planning.

As Canadians are given new philanthropic options and advantages, we will begin to see the impact of our charitable contributions in increasingly sophisticated ways. Together, we will begin to fully understand the role that our giving can play over our entire life course, as well as the role that our philanthropy can play in creating sustainable solutions in education, social services, the arts, health, and scientific discovery.

Michael W. O'Mahoney is President, **SickKids Foundation.** www.sickkidsfoundation.com

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