

Effective Charitable Giving

Our federal and provincial governments encourage charitable giving by providing a number of tax incentives for individuals. The tax savings can be as much as 48% of your donation, so while you're helping others, you can also help your own financial situation.

We have outlined some key tax tips below, but please remember that your charitable giving, especially large gifts should be part of your overall financial plan, and the guidance of your tax and financial advisors is strongly recommended.

Take your tax credits – The tax credit for charitable donations can fund up to approximately 48% of your giving in some provinces.

The first \$200 donated each year qualifies for a 15 % federal tax credit. Amounts over \$200 receive a 29% federal tax credit. Provincial tax credits are also available.

The calculation below shows an example of the potential tax savings for donations in excess of \$200.

Tax Credit Calculation	
Donation	\$ 10,000
Federal and Provincial credits	\$ 4,800
Total tax savings as a % of gift	48%

Pool tax receipts

To maximize your donation tax credit, you can pool your donation receipts with your spouse's and report them on one spouse's tax return. In most cases, the higher-income spouse should claim the credit.

Consider corporate donations

If you make a corporate donation, your company may claim a tax deduction, not a tax credit. The value of this tax deduction depends on the company's effective tax rate.

Carry forward large donations

Each year, you can claim a tax credit for donations up to 75% of the net income reported on your federal tax return, but you don't lose your tax break if you exceed that limit. The excess can be carried forward for up to five years, still subject to the 75% limit in each year claimed.



Furthermore, in the year of death, the charitable donations limit is 100% of net income. Any donations not claimed on the final tax return can also be carried back and claimed in the year preceding the year of death.

Reduce capital gains tax by donating marketable securities

Donating publicly traded securities and mutual funds that have appreciated in price can be very advantageous. When you donate equities, bonds, mutual funds and certain other assets to public foundations such as the Private Giving Foundation, offered exclusively through TD Waterhouse, there are zero capital gains as opposed to 50% if you sold or redeemed the securities and donated cash.

In the following example, you would reduce your taxes by an additional \$20,000 if the securities were donated directly to a public foundation.

	Sell securities and donate proceeds to charity	Contribute securities to the Private Giving Foundation
1. Market value	\$ 100,000	\$ 100,000
2. Cost of securities when purchased	\$ 20,000	\$ 20,000
3. Capital gain (1) – (2)	\$ 80,000	\$ 80,000
4. Taxable gain (3) x 50% or 0%	\$ 40,000	\$ 0
5. Tax payable on gain (at 50%)	\$ 20,000	\$ 0
6. Capital gains tax savings	–	\$ 20,000
7. Tax credit (at 48%)	\$ 48,000	\$ 48,000
8. Capital gains tax savings and tax credit (6) + (7)	\$ 48,000	\$ 68,000
<i>For illustrative purposes only.</i>		

This valuable benefit also applies if you donate shares of a public company you have acquired with employee stock options. You pay zero taxes on the employment benefit if:

- the shares acquired are donated in the year and within 30 days of the employee stock option being exercised;
- the shares are ordinary common shares ; the price you paid was no less than the fair market value of the shares when the option was issued;
- you donate the shares to a public, registered charity such as the Private Giving Foundation, offered through TD Waterhouse.

Build your own giving plan

Like many people, you may be overwhelmed by the number of charitable appeals you receive and the heart-wrenching problems depicted in the media. In reality, you can't, and aren't expected to, help every cause you come across. Some of the most effective donors, with the greatest impact, develop a philanthropic plan and devote their money and their energy to a few specific causes that are important to them.

It's not unlike developing an investment plan. You need to understand your goals and objectives and then research your options to determine which ones are right for you.

The following steps can help:

1. Identify your values – e.g. healing, diversity, creativity
2. Identify causes that reflect your values – e.g. education, poverty, culture
3. Identify your geographic focus – e.g. local, national, and global
4. Research your options – these sites are a good starting point:
www.charityvillage.com,
www.cra-arc.gc.ca/menu-e.html,
<http://www.donorsguide.ca/>,
<http://canada.takingitglobal.org>
5. Evaluate your choices – charities' annual reports will show how your money is spent
6. Designate your donations – some charities allow you to fund specific activities



The information contained herein has been provided by TD Wealth and is for information purposes only. The information has been drawn from sources believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, trading or tax strategies should be evaluated relative to each individual's objectives and risk tolerance. TD Wealth, The Toronto-Dominion Bank and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

TD Wealth represents the products and services offered by TD Waterhouse Canada Inc. (Member – Canadian Investor Protection Fund), TD Waterhouse Private Investment Counsel Inc., TD Wealth Private Banking (offered by The Toronto-Dominion Bank) and TD Wealth Private Trust (offered by The Canada Trust Company).

© The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.