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# YOUNG GUNS

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**TAX-EFFICIENT CHARITABLE GIVING**

How to help clients donate publicly traded securities instead of cash

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# CHARITABLE GIVING

## It pays to give

Advisors have an increasingly crucial role to play in helping clients donate their wealth to charity in the most efficient way possible

**CANADIANS ARE** a generous bunch: In the 2016 World Giving Index, Canada was ranked sixth most generous out of 140 countries. However, savvy advisors need to let their clients know that handing over cash or making a bank transfer to the charity of their choice isn't always the most efficient way of donating. As more Canadians choose to donate a portion of their wealth or income, they're increasingly realizing the benefits associated with giving publicly traded securities rather than cash.

"Donating publicly traded securities that have increased in value since purchase is one of the most tax-efficient ways for clients to give," says Brad Friesen, a gift planning consultant at Abundance Canada. "One of the main benefits is that transferring publicly traded securities in kind to a charity means you pay no tax on the capital gain."

Clients who donate securities receive a donation receipt for the fair market value of the securities, which can also reduce income tax payable. However, the date on which the charitable receipt is issued is an important consideration for advisors, explains Sherri Grosz, another gift planning consultant at

Abundance Canada.

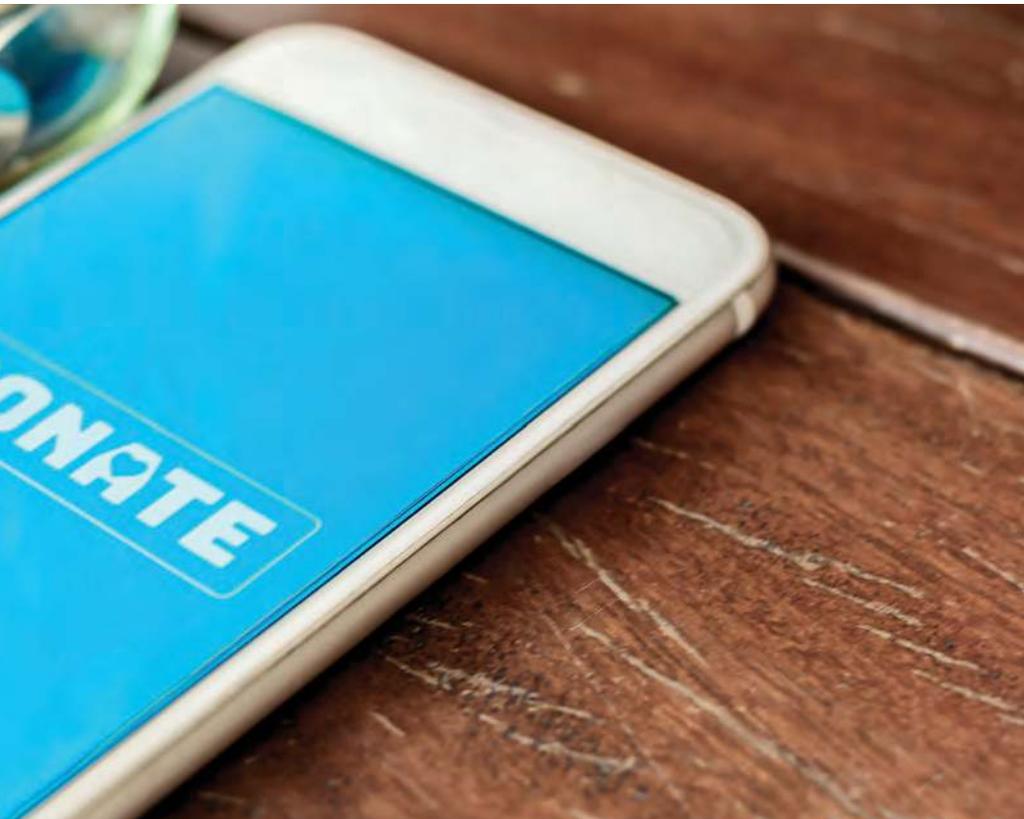
"We issue a receipt based on the day the donor signs the transfer paperwork, which is different from many other charitable foundations, which issue a receipt on the day the securities land in the charity's account," Grosz says. "Our policy gives the advisor and their donor client the ability to make the gift when the stock price is most advantageous. The distribution of the gift to charity can happen at a later date. This simplifies the process for the advisor and enables the donor to take some time to be strategic in their giving. It means they don't need to be rushed into their decisions."

Say, for example, a client wants to donate \$50,000, which is currently held in a mix of mutual funds and bonds, to their favourite charity. The adjusted cost base of the shares is \$10,000, and the selling price is \$50,000. If the client donates the \$50,000 in securities as a gift in kind (rather than selling the securities and donating the cash), the client will save \$8,000 in tax payable by avoiding the capital gains tax on 50% of \$40,000. The \$50,000 donation receipt can then be used to offset other income tax payable.



There are limits on the investments that can be donated. They need to be appreciated publicly traded securities on a CRA-recognized stock exchange, such as the Canadian Securities Exchange, the Toronto Stock Exchange, the TSX Venture, the Montreal Exchange and a handful of American and other foreign exchanges. Stocks, bonds and mutual fund units are the most common form of donated security, and they must be in a non-registered account.

"A charitable donation of securities can feel complex for an advisor who has not dealt with this type of thing before, and that's where a charitable foundation that deals with this type of thing every day can come onboard and lessen the burden on the advisor," Friesen says. "We handle stock donations from all kinds of places: all sorts



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**Brad Friesen, Abundance Canada**

of stocks, bonds and mutual funds, and we are happy to provide that level of expertise to advisors. Where necessary, we join conversations between the client and advisor and provide that extra level of expertise when it is required.”

Grosz and Friesen have noticed a steady increase in the number of Canadians looking to make charitable donations in recent years.

Gifts of securities, in particular, have seen steady year-over-year growth, and more than half of the donations Abundance Canada receives are now in the form of securities.

The process for donating securities is straightforward. The client first completes a transfer or charitable donation form, given to them either by a charitable foundation like Abundance Canada or their financial

institution. That form gives the authority for the transfer of shares from the client’s brokerage account to the foundation’s brokerage account, from which they are sold. The funds received from the sale are put into a donor-advised gifting account; from there, the donor can distribute the funds to any registered Canadian charity in a timeframe that works for them.

“Sometimes, a donor will distribute the funds as a flow-through, directly to a charity or multiple charities right away,” Friesen says. “In other cases, the client will distribute funds over the course of months or even years, depending on their strategic giving plan. The donor can give funds anonymously, too. When we send the cheque to the charity, we simply state in an accompanying letter that this comes from a friend of Abundance Canada.”

Despite the ease of the process and the tangible benefits for clients, some advisors are still encouraging their clients to donate cash rather than securities, which Grosz attributes to a lack of awareness.

“Advisors don’t always recommend this right away to clients if they haven’t been through the process themselves; it may feel a bit uncomfortable for them, and they simply may not know the advantages,” she says. “It’s not that difficult at all, especially when working with a charitable foundation that can issue the receipt and handle all of the complex pieces in the background. We encourage advisors to give it a try. There is a wealth management firm here in Ontario that recommends all their clients to use us; we’ve become a partner in the process of making this as easy as possible for their clients. It ends up being a win for the donor and the advisor.” **WFP**

With regional offices in Abbotsford, Calgary, Winnipeg and Kitchener, **Abundance Canada** is a public foundation registered with the CRA. Since 1974, Abundance Canada has assisted individuals with their charitable giving during their lifetime and through their estate. To learn more, visit [abundance.ca](http://abundance.ca).