

FAQs: In-Kind Donations of Stocks, Bonds and Mutual Funds



Why should I donate publicly traded securities?

If you own publicly traded securities in a non-registered investment account that have increased in value, using them to make your charitable donations is the most tax efficient way to give. If you sell the securities, you will pay tax on 50% of the capital gain. If you donate the securities in-kind, you will pay no tax on the capital gain, and you will receive a charitable receipt for the market value of the securities on the day you initiate the transfer to Abundance Canada.

What is a publicly traded security?

A publicly traded security is a stock or bond that trades on a stock exchange recognized by Canada Revenue Agency (CRA). Mutual funds do not trade on stock exchanges but are also considered publicly traded securities.

Which stock exchanges are recognized by CRA?

In Canada this would be the TSX, TSX Venture, and the Canadian Securities Exchange. In the U.S. the New York Stock Exchange, the AMEX as well as the NASDAQ are recognized by CRA. Many foreign country exchanges also qualify. If you have a security that is trading on an exchange not listed above, give Abundance Canada a call and we will be able to find out if it qualifies.

What does *in-kind* mean?

This means that you **do not** sell the security and donate the cash proceeds to Abundance Canada, rather your securities are transferred to Abundance Canada's brokerage account and then Abundance Canada sells them. If you sell them first and then donate the cash proceeds you will pay tax on 50% of the capital gain.

Which securities should I donate for maximum tax savings?

You can only donate securities that are held in a non-registered investment account. Investments held in a registered account (RRSP, RRIF or TFSA) do not qualify for these tax savings.

Capital gains on investments held in a tax free savings account (TFSA) are already tax exempt, so donating these investments will not generate the same tax savings as donating securities held in a taxable investment account.

Always donate the stocks, bonds or mutual funds with the greatest capital gain because this will save you the most tax.

Why wouldn't I donate the securities directly to the charities I want to benefit?

Many charities don't have brokerage accounts or the expertise to process in-kind donations.

Abundance Canada will process the donation of securities, sell them and distribute the proceeds to the registered Canadian charities or qualified donees you recommend. You can disburse the proceeds immediately or over a period of years. This works well if you want to receive the tax benefit in one year but fulfill a longer term pledge such as a building project at your church.

Even if one of the charities you want to support is willing and able to process in-kind donations, using Abundance Canada means that with one transfer you can distribute the proceeds to multiple charities. You do not need to do separate security transfers to each charity you want to benefit. This means less paperwork and hassle for you. At tax time you only have one donation receipt to process and that one donation has benefited multiple charities. Also, your financial advisor will only have one transfer request to process, not multiple transfers.

Who issues the donation receipt?

Abundance Canada is a registered Canadian charitable foundation and we will issue the donation receipt. Our CRA charitable registration number is 12925 3308 RR0001.

How will the charity know that the donation came from me? I don't want them to think that I no longer support them.

Abundance Canada will send a letter along with the cheque to the charity informing them that the donation came from you. We inform them not to send a charitable receipt (because you will already have received one from Abundance Canada), and we include your address so that they know where to send an acknowledgement. If you wish, we can send cheques out anonymously. In that way you get to choose which charities have access to your name and address and which do not.

What is the process of donating securities?

You complete a third-party transfer form or charitable donation form and submit it to your financial institution/broker for processing. If your financial institution/broker does not have these forms, Abundance Canada can provide a template transfer form.

If you hold a physical certificate (shares or bonds) or your investments are held in a Dividend Reinvestment account (DRIP), there are extra steps required to complete the donation. In these situations, contact an Abundance Canada gift planning consultant for further information.

Can Abundance Canada send this template transfer form directly to my broker?

Yes, we can email a copy of the transfer form to them and they can assist you in completing it.

You can also download our template transfer forms from our website:
www.abundance.ca/resources/forms/

It is essential that a copy of the completed transfer form is emailed or faxed to Abundance Canada so that we know a transfer has been initiated and can track it. We also require the information from the transfer form to value and issue the donation receipt.

How is the donation receipt value calculated?

Abundance Canada issues a donation receipt for the value of the securities on the day you initiate the transfer.

If the stock exchanges are not open on the day you initiate the transfer (weekend or holidays) or have closed for the day, your donation receipt value will be based on the next trading day. The value is determined by the closing price, or the average of the high and low trading price, whichever calculation yields the higher receipt value. For mutual funds, which are priced once a day, the daily closing price is used, provided you have submitted the transfer instructions to your financial institution/broker prior to market close.

What if I don't need the whole value of my charitable receipt to reduce my taxes payable to zero?

You can carry forward unused charitable receipts for up to five years after the year the donation was made.

What happens once the securities are donated?

When the securities have been transferred to Abundance Canada's brokerage account, we will place an order to sell them. We will send you the donation receipt and a Gifting Fund™ statement showing the amount available for distribution to charity.

You advise us how much you would like to disburse to which charities. If you want some of the proceeds to be disbursed later, they will be held in your Gifting Fund for future distributions to charity.

Why is the amount shown on my Gifting Fund statement different than what I was receipted for?

You are receipted for the value of the securities on the day you initiated the transfer. It can take a few days to several weeks from the time you initiate the transfer until the securities arrive in Abundance Canada's brokerage account. Because the market price of the securities fluctuates, the value can increase or decrease over the time period it takes to complete the transfer.

The amount shown on your statement is the net proceeds from sale, less the donation to Abundance Canada for flow-through gifts (if applicable). Your donation receipt will show the value of the securities on the day you initiated the transfer. The difference between the two numbers is due to the market value changes during the transfer period, as well as the donation to Abundance Canada (if applicable). The statement indicates the amount available to disburse to the charities you recommend.

If I don't distribute the entire proceeds immediately, will Abundance Canada pay interest on the balance in my Gifting Fund?

In most cases, yes. Contact an Abundance Canada gift planning consultant to discuss these options.

What if I don't want to send the donated capital to charity, only the earnings from the donation?

In this situation we would request that you indicate this preference in writing. We would then place a restriction on the Gifting Fund to distribute earnings only, unless advised otherwise by you.

If you want to know more about restricting the distribution of donated capital, please contact an Abundance Canada gift planning consultant.

Is there a minimum amount Abundance Canada will distribute to a charity?

Yes, the minimum distribution amount is \$100.

How is Abundance Canada compensated?

Many of our services are offered to our clients at no charge. Our work is supported by three revenue sources:

- a portion of the earnings from investments under management;
- donations designated to support the work of Abundance Canada;
- retaining a portion of flow-through donations.

What is a flow-through donation?

If the donated funds will be distributed within twelve months, they will be considered flow-through gifts. Abundance Canada will retain a portion of the sales proceeds to support our work. We use the following scale to determine the amount of the donation.

Net proceeds of sale of donated securities	Donation to Abundance Canada
Under \$50,000.00	2.0%
\$50,000.00 to \$99,999.99	1.5%
\$100,000.00 to \$249,999.99	1.0%
\$250,000.00 to \$499,999.99	0.5%
\$500,000.00 and greater	negotiable

The minimum donation retained by Abundance Canada is \$50.00.

For example, if the proceeds from the sale of donated securities was \$5,000 Abundance Canada would retain \$100 (2% of \$5,000) to support our work and the remaining \$4,900 (98%) would be available for distribution to charity.

If your gift remains at Abundance Canada for a minimum of one year it will not be considered a flow-through gift and the donation to Abundance Canada will not apply.

Are there additional costs to maintain the Gifting Fund or make distributions?

No additional charges or fees will be deducted from your Gifting Fund unless you advise us that you wish to make an additional donation to support the work of Abundance Canada.

What does my donation to Abundance Canada support?

Abundance Canada envisions a world where everyone lives generously. From changing lives to making the dream of better communities a reality, we believe that *generosity changes everything™*. We help people design and implement customized Generosity Plans™. A Generosity Plan provides a unique roadmap for donors to achieve their charitable goals today, tomorrow and well into the future. Your donation to Abundance Canada allows us to offer these services to anyone who wants to be generous with their financial resources.



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