

## Becoming a better donor directs more of your assets to causes that are important to you and less to the government in the form of taxation

### IN CELEBRATION OF GIVING

In September 2022, I had the opportunity to sit with a remarkable group of people. Collectively, they came together to raise over \$30,000 to support a worthy cause in their local community. I'm always inspired when I see what motivated and passionate people are able to accomplish!

While \$30,000 is nothing to sneeze at, I couldn't help but wonder if it could have been more. (*Hint: It could have.*) That's because virtually all of the money raised came from individuals and businesses who believed in the cause and donated cash by writing cheques.

Giving cash is quick and convenient. It also happens to be the least efficient way to give. If donors want to maximize the value of their generosity, learning how to "give better" is a great place to start.

### PRIMER: CHARITABLE DONATION TAX CREDIT

In Canada, whether for an individual or a corporation, eligible amounts that are donated to charity can be used to calculate a charitable tax credit. In simple terms, make a donation, get a receipt, get a tax credit from the government. In fact, donating to support charitable causes is one of the most effective ways Canadians can reduce their overall tax bill.

Because the charitable donation receipt rates vary based on annual income and the province or territory of residence, doing the math can be complicated. Fortunately, **Raymond James Canada Foundation has an online tool** that makes the calculations simple. Using the tool, you simply enter your annual income, where you live, and the amount you'd like to donate. The calculator does the rest.

For example, Harry lives in Nova Scotia and earns \$102,000 per year at his corporate job. Inspired to support a worthy cause, he writes a cheque for \$1,000 to a registered charity. When filing his annual taxes, he will find a \$448 tax credit as a result of his donation. The actual cost of the donation is  $\$1,000 - \$448 = \$552$ .

Simple, right?

### DONATION OF APPRECIATED SECURITIES

Sarah also lives and works in Nova Scotia, earning \$102,000 per year. Even though she has money in her bank account to write a cheque to the charity, she decides to discuss the donation with her portfolio manager and accountant. After reviewing her non-registered investment portfolio, she discovers that she has investments that have appreciated in value since they were purchased five years ago. In fact, one \$500 investment is now worth \$1,000.

If Sarah sold her investment and donated the proceeds to charity, she would trigger a capital gain (the difference between what she sold it for and what she paid for it:  $\$1000 - \$500 = \$500$ ). She would have to declare the capital gain on her annual income tax. In this case, her gain would generate an additional \$250 in taxable income.

### WHAT'S IMPORTANT TO YOU

Determining which charity to support can be a daunting task. That's because there are over 87,000 registered charities in Canada alone. The landscape is crowded. Many Canadians will support organizations with whom they have a personal connection or relationship. Whom you choose to support is your decision, but if you don't have a group in mind, how do you decide?

1. Ask yourself what kind of impact you want to have on your community.
2. Identify the areas that are important to you. Are you interested in supporting the arts? Health services? The environment?

3. Determine if you are interested in supporting international, national or regional charitable organizations.
4. Conduct primary research. The internet, your personal and professional networks and even calling charities directly are great ways to learn more about their unique goals and objectives.
5. Are you in a position to "give now", or are you thinking of legacy gifts through your estate?

Once you've narrowed down your list, you can begin working on strategies to maximize the value of your gift.

Fortunately, Sarah does not have to sell the investment. She can donate her \$1,000 investment to the charity directly. The charity will get \$1,000, Sarah will get the receipt for the full amount of the donation, and she will have \*eliminated\* a capital gain liability from inside her portfolio. She will not have to pay tax on the \$500 capital gain because she never sold the investment.

Her donation still qualifies her for the same \$448 tax credit that Harry received, but her financial situation improves because she avoided paying tax on a capital gain. She can immediately use the \$1,000 in cash from her bank account to repurchase the securities she donated.

### GET GOOD AT GIVING

Donations of appreciated securities are just one example how Canadians can give better. Donors should work directly with their portfolio managers and tax accountants to explore the implications of different types of donations. Maximizing the tax advantages of a chosen giving strategy can often inspire people to give more to support causes that are important to them, since the greater the tax advantage, the lower their actual cost of giving will be.

It's possible—even probable—that with a bit of education, the group who raised \$30,000 could have raised even more. Getting good at giving begins with learning and understanding how to maximize the value for the donor and for the charity receiving the gift. That's something worth celebrating.

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