

Advantages of Giving Appreciated Securities

Making your gift with appreciated securities can result in significant tax savings, making it possible for you to make a larger gift than you thought possible. Here's how:

How it Works

Usually, one-half of a capital gain is subject to tax. When you make gifts of publicly-listed securities, that amount is eliminated as long as you make your gift to a registered charitable organization, either a public foundation, such as The Winnipeg Foundation, or a private foundation.

Listed securities include:

- Shares, rights, and debt obligations listed on most Canadian and certain foreign stock exchanges
- Prescribed debt obligations
- Shares of the capital stock of a Canadian public mutual fund corporation
- Units of widely held Canadian mutual fund trusts
- Interests in related segregated fund trusts

The benefits of these gifts include:

- Immediate donation receipt for fair market value of security, determined for most securities from their closing price on the date of the gift
- Favourable reductions in capital gains taxation
- Charity pays no tax on sale
- Gifts can be given during donor's lifetime or after, through their estate

Securities may be transferred to a charity in either of the following ways:

- The donor delivers endorsed certificates to The Foundation. The gift is complete the day the certificate is delivered. A donation receipt is based on the value of the security that day.

- The donor transfers the securities from his/her brokerage account to The Foundation's account.

Your Gift at Work

Your charitable gift makes a difference to a cause you love and saves you money in taxes. Planning your gift in advance can help you save more tax—and have an even bigger impact. Each dollar of would-be tax revenue that goes to charity instead of the government results in \$2.25 put to work directly in the community.

The following illustrates the additional tax savings that donors realize when making gifts of appreciated publicly-listed securities in-kind rather than selling them first.

Example: Donation of Capital Property versus Cash

Mr. Price is considering a \$100,000 donation to his favourite charity, and has sufficient net income to claim the full amount of the donation in the year in which it is made. Among his assets are 1,000 shares of Publico, a publicly listed corporation. He also has \$100,000 of available cash.

The shares have a fair market value of \$100,000 and an original cost of \$1,000. Mr. Price is evaluating three alternatives: making a \$100,000 cash donation; selling the Publico shares and giving the cash to charity; or transferring the Publico shares to charity for the fair market value of \$100,000.

We have assumed that Mr. Price is in the top marginal tax bracket (taxable income in excess of approximately \$139,000) and that the combined federal and Manitoba provincial top marginal rate is 46.4% for 2015.

The actual tax credit will vary depending on the province in which you reside. Rates may be subject to change. If you are planning for a significant donation, we recommend that you check with your personal advisor to ensure that you are using the appropriate rate and that your gifting strategy is optimal for your circumstances. We would be delighted to work with you and your advisors.

What is the net tax benefit of the donation?	Gift Cash	Sell Shares and gift cash	Gift the shares: Tax on capital gain is eliminated
Proceeds/deemed proceeds of sale/donation	\$100,000	\$100,000	\$100,000
Cost	100,000	1,000	1,000
Capital gain (proceeds less cost)	N/A	99,000	99,000
Tax on capital gain	N/A	(23.2%) 22,970	(0%) Nil
Donation tax credit	(46,400)	(46,400)	(46,400)
Net tax savings from donation (available to shelter other income from tax)	46,400	23,430	46,400

Effect on Net Worth of Donation of Shares

Now let's evaluate the effect on Mr. Price's net worth. Mr. Price's current net worth is \$1,000,000.

What is the after-tax cost of making the donation?	Gift cash	Sell shares and keep cash	Sell shares and gift cash	Gift the shares: Tax on capital gain is eliminated
Net worth before sale/ donation	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Donation	100,000	0	100,000	100,000
Tax on sale/donation	N/A	(26,970)	(26,970)	Nil
Donation tax credit	46,400	N/A	46,400	46,400
Net worth after sale/donation	946,400	977,030	923,430	946,400
After-tax cost of donation	53,600	N/A	53,600	30,630
Summary				
Value to charity	100,000	N/A	100,000	100,000
Cost to donor	53,600	N/A	53,600	30,630
Government foregone taxes	46,400	N/A	46,400	69,370

NOTE TO READER: The purpose of this publication is to provide general information, not to render legal advice. In addition any changes in the tax structure may affect the examples listed in this information. Please consult your own lawyer or other professional advisor about the applicability of this information to their situation.