

# Alberta Doctors' Digest

## Sponsored article: Charitable giving

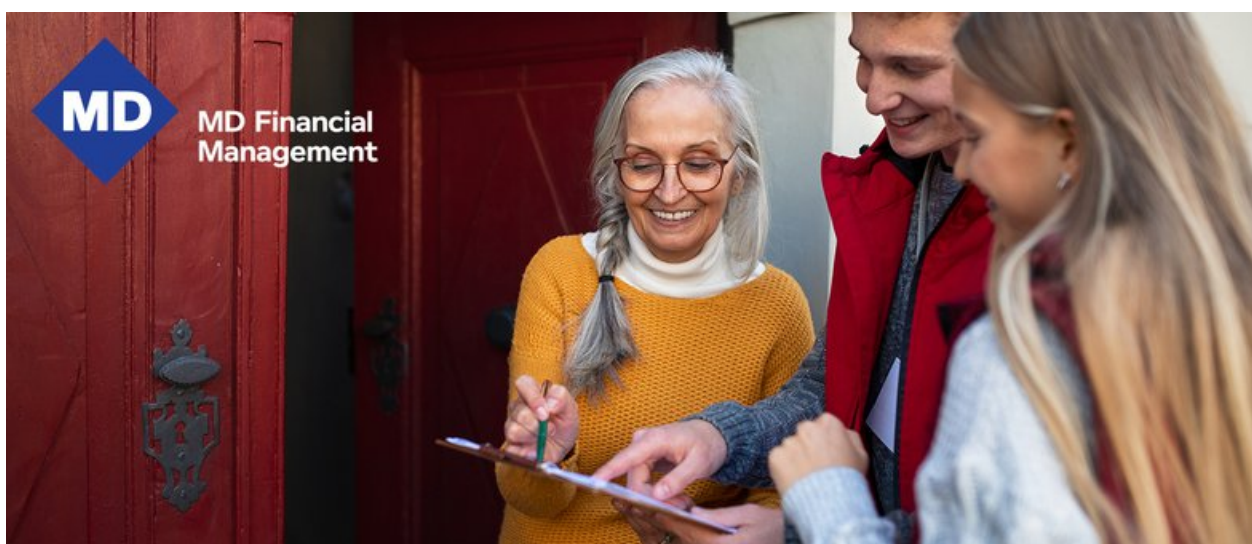
Charitable giving reflects our values and commitment to making a difference in the community. To incentivize this giving, the Canadian government offers a number of ways for you or your estate to benefit from tax savings when you give – which lets you give more to the causes you care most about!

### Types of charitable gifts

There are [many specific ways to donate to charity](#), depending on your goals and your own situation, but there are two basic types of donations: ordinary gifts and exceptional gifts.

Most of us give ordinary gifts irregularly, in response to particular needs, or else we make our donations on an annual basis. These are routine gifts from income, often made in response to a solicitation from a charity or at year-end, when we may already be focused on giving and are wrapping up our financial affairs for the year. These gifts are typically made by online donation, cash, cheque or credit card.

Exceptional gifts are rarer and larger. These gifts are typically derived from assets or from your life savings or estate and often coincide with noteworthy life events such as retirement or the sale of a major asset or business. These are made after careful consideration and are most efficient when facilitated by wealth and estate planning.



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### Strategies for ordinary gifts

#### Pre-authorized payments

Consider giving to your favourite charities through monthly pre-authorized payments. All you need to do is provide your bank account details or credit card number to the charity. Consistent monthly payments help your cash flow, which means you can give more. They also offer the charity regular cash flow, reduced fundraising costs and improved ability to budget and plan ahead.

### **Gift of flow-through shares**

Resource-based flow-through shares provide a tax deduction when purchased by investors. These tax-effective public securities can be donated to a charity when they vest, which produces a charitable tax credit in addition to the resource deduction. Combined, the two tax savings can significantly lower the cost of giving.

## **Strategies for exceptional gifts**

### **Estate donation**

The most common type of estate donation is a gift by will, which is paid out after the giver's death as part of settling their estate. Gifts by will are highly flexible; they allow the donor to retain use of the assets while living and permit changes during their life. An estate donation can be claimed against up to 100% of income on the giver's final two lifetime returns and against up to 75% of income on estate returns. If the gift is significant relative to the giver's income, there is the potential to eliminate most taxes payable at death.

### **Gift of public securities**

Gifts of publicly-traded securities or mutual fund units are not subject to capital gains and qualify for a tax credit, making them the most tax-effective way to make a significant donation. Consider combining a sale of securities with an in-kind donation of securities to eliminate taxes at disposition.

### **Charitable insured annuity**

This life income strategy combines an annuity with a life insurance policy to generate annual income for the older donor and a future gift for the charity. The annuity payments are partially tax-free<sup>1</sup> and, due to tax savings from the donation, often greater than other conservative fixed-income investments.

### **Maximizing effectiveness**

Exceptional donations are most effective when they're part of comprehensive wealth planning. A donor-advised fund (DAF) at a charitable foundation such as the Aqueduct Foundation can help you make tax-effective donations today and select the charities you want to support in the future. A donor-advised fund is established and funded by one or more donors who intend to make significant tax-effective charitable donations. The value of a DAF is that it enables the donor to make decisions about the charities that will receive grants. DAFs are especially useful to donors who have multiple charitable interests, are interested in a family charitable legacy, or have charity as a major beneficiary of their estate plan.

An [MD Advisor\\*](#) can provide insight and practical support to help you enhance the effectiveness of your charitable giving. If you'd like to chat, please contact us at [VIP@MD.ca](mailto:VIP@MD.ca).

*1 A portion of the income generated from the gift annuity will be paid to the donor tax-free. The portion is calculated based on the donor's age.*

*\* MD Advisor refers to an MD Management Limited Financial Consultant or Investment Advisor (in Quebec), or an MD Private Investment Counsel Portfolio Manager.*

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