

Focus on Philanthropy

A Guide to Charitable Giving for Professional Advisors

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Website Resources

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Professional Advisors
e-Resource:

A toolkit for helping clients
achieve their philanthropic goals.

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Focus on Philanthropy is a tri-annual Newsletter about charitable gift planning edited and produced by The Calgary Foundation. It is distributed to professional advisors in Calgary and surrounding area.

Capital Gains Eliminated on Gifts of Publicly Listed Securities

The federal budget recently introduced a great new incentive for Canadians to give. Effective May 2nd, 2006, donations of publicly listed securities to registered charities will be exempted from capital gains taxation. Charitable giving is expected to soar since history shows that even a *reduction* in capital gains acts as a dramatic incentive to give.

Nuts & Bolts - Benefits of Tax Change

The elimination of capital gains tax on donations of publicly listed securities to charities acts as a great new incentive to give. What do the recent changes mean for you and your client?

Whoopee! We Got the Exemption

The vast majority of practitioners in the voluntary sector were turning cartwheels May 2nd as they gleefully listened to Finance Minister Jim Flaherty announce the complete exemption from capital gains tax on gifts to charity of publicly listed securities. What are people saying?

Windfall of Giving Unleashed

The removal of the capital gains tax on publicly listed securities is already producing a "windfall of giving" to registered charitable organizations. Who is giving?

Updates to Professional Advisor e-Resource

Recent changes have been made to the [Professional Advisor e-Resource](#)

In the **Gift Instruments** section you'll find a new fact sheet entitled [Donations of Appreciated Securities](#)

Numerous other changes including a revised chart on *Tax Benefit of Donating Shares* and corrections to the Gift Planning Matrix.



How TCF Can Help Advisors

Your role as a **professional advisor** allows you the unique opportunity of serving the needs of your client while serving the needs of our community.

The Calgary Foundation can assist by:

- Meeting with you one on one
- Meeting with you and your clients
- Making a presentation to a group of your colleagues
- Sending information packages to share with clients
- Sending information packages directly to your client

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Whoopee! We got the exemption! And maybe \$1 billion?

BY PAT PORTH, EDITOR CANADIAN FUNDRAISER

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THE VAST MAJORITY OF PRACTITIONERS IN THE voluntary sector were turning cartwheels May 2 as they gleefully listened to Finance Minister Jim Flaherty announce the complete exemption from capital gains tax of gifts to charity of listed securities or of ecologically sensitive land.

Hallelujah, cried everyone in a registered charity or public foundation. Only one sector, that of private foundations, remains less than exultant, because they were once again left out of the largesse. However, there is light at the end of the tunnel.

For the very first time ever, points out Hilary Pearson, President and CEO of Philanthropic Foundations Canada, a federal government committed to considering extending the exemption to private foundations, and promised a decision within a year.

What they said

The relevant paragraphs:

“To date, donations of listed securities to private foundations have not been eligible for the half-inclusion rate measure. The primary reason for this exclusion has been concerns regarding the adequacy of current legislative provisions to safeguard against potential conflicts of interest, which could arise when individuals with significant holdings in a corporation also have influence over the management of a foundation’s holdings of the same corporation.

“The government will consult with private foundations and other interested parties in the coming months with a view to developing appropriate self-dealing rules. If appropriate rules can be devised, the government would be prepared to bring them before parliament within the next year, and extend the capital gains exemption for listed securities to donations to private foundations at the same time.”

The statement, says Pearson, is significant not only because it embodies a promise to consider the inclusion of private foundations, but also because it finally defines the reason for being leery in the first place of treating them equally with all other charitable bodies.

“That’s a big help for us, because we’ve been shooting at cobwebs,” she says. “We haven’t been able to get anyone to tell us what the problem was.” PFC has stressed its willingness to discuss whatever kind of firewall would allay the concerns of the Ministry of Finance, including following the US example of restricting one person’s ownership of shares of one company’s total floated shares in the portfolio to 10% or less.

Happy otherwise

On the other hand, of course, she says, PFC is happy to see the charitable world benefitting as a whole, and more money flowing into the hands of the charities its members fund.

Beyond that one cavil, other representatives of the sector commented:

Malcolm Burrows, Financial Consultant, Charities and Gift Planning, Scotia Private Client Group and Chair, the Government Relations Committee of the Canadian Association of Gift Planners: “The elimination of capital gains on gifts of public securities to public charities will unlock a flood of giving. This incentive has been promoted by a broad coalition within the charitable sector for more than 10 years. It provides extra tax savings of up to 22 cents on every dollar donated, which makes it the most tax-effective way to donate to charity.”

Burrows also notes: “The incentive couldn’t come at a better time. The stock market is at an all-time high and many Canadians are sitting on enormous capital gains.

I would not be surprised if this incentive unlocked between \$800 million and \$1 billion in gifts to charity in 2006.”

Great for communities

Monica Patten, President and CEO, Community Foundations of Canada, also welcomed the announcement: “While this is great news for charities and of course community foundations, the really good news is for our communities. Additional resources flowing to charities through community foundations, for example, will mean our communities will continue to have and perhaps even increase services and programs, from the arts to welcoming newcomers to environment groups.

“Of course, governments must continue to do their part, but our combined resources can only mean one thing: strong communities. Thanks to the government of Canada for making this more possible by introducing this powerful incentive for Canadians to be even more generous than in the past.”

The Association of Fundraising Professionals reacted from its international headquarters, noting that the elimination of the tax may generate “hundreds of millions and possibly billions of dollars annually”. (It’s interesting to note the government itself is forecasting only a \$300 million increase, at a cost in lost tax revenue of \$55 million in each of 2006/07 and 2007/08.)

Waiting to give

The release quotes Susan Mullins, Director of Development at York University Foundation and chair of AFP’s Government Relations Committee, as saying “this policy change will dramatically enhance charitable giving in Canada. There are major donors across the country who have been waiting for this type of incentive so they can make their gift. The opportunities for charities to build their capacity and expand programs have now multiplied with this provision.”

The huge potential of the move is proved by history, says AFP, noting that since the tax was lowered to 50% in 1997, donations of securities have gone from being a negligible figure to an average 10% of a charity’s received donations.

Jo-Anne Ryan, Vice-President, Philanthropic Advisory Services, TD Waterhouse Canada and Executive Director of TD’s Private Giving Foundation, received proof of the measure’s potential impact

on the charitable sector virtually immediately. Within hours of the office opening the day after the budget was announced, she reported calls from donors intending to transfer more than \$2 million to the foundation.

“I believe we are just scratching the surface,” she says. “The total market value of publicly traded stocks held by Canadians is an astounding \$1.3 trillion, with unrealized capital gains accounting for almost half of these holdings. The potential if these securities holdings are converted to charitable donations is huge.”

Need to understand

Don Drummond, Senior Vice-President and Chief Economist, TD Bank Financial Group, forecasts a major boost in securities gifts once the general public realizes how attractive the measure is from a tax perspective.

“Without any capital gains taxation, many donors will actually make money from a gift relative to what they originally paid for the stock,” he says. “In other words, the charitable donation credit could exceed the purchase price if the value of the shares has appreciated significantly.”

As an aside, it is notable that the charities provision did not apparently rate very high on the priority list for the public media. In Toronto, both the Globe and Mail and the Toronto Star relegated it to their business sections, and the National Post had no reference to it in the issue of the day following the announcement.

Ellen Roseman, a Toronto Star columnist, quoted Craig Alexander, an economist at TD Bank Financial Group, as voicing the one “oh no” fear many fundraisers may be experiencing as the post-budget euphoria dies down somewhat ... supposing, just supposing, the government decides to make up that lost tax revenue by reducing its support of charities, on the basis that they are now receiving this big windfall from investors?

But still, the provision has to be a good thing, says Roseman: “Right now, investors hate to sell shares with big built-in capital gains. Many hold on until they die, ensuring a big bonanza for the tax department. Once people realize they can help themselves, and help alleviate social misery at the same time, by giving their shares away, they will undoubtedly become more philanthropic.”

*Free subscription to Canadian FundRaiser is available at
www.canadianfundraiser.com*

Windfall of Giving Unleashed

EXCERPTS FROM ARTICLES IN THE GLOBE AND MAIL AND NATIONAL POST

The Conservative government recently upheld its commitment to remove the capital gains tax on publicly listed securities donated to charities – a measure that is already producing a “windfall of giving” to registered charitable organizations.

On June 20th, Toronto sports and construction magnate, Larry Tanenbaum, donated \$25 million to Mount Sinai Hospital to support biomedical research. This was the second major gift that Mr. Tannenbaum has made since the federal government changed rules for capital gains on publicly listed securities in the last budget May 2nd, 2006.

The first major gift by the Tanenbaum family occurred in mid-May when they gave \$50 million worth of stock to the endowment arm of the UJA Federation of Greater Toronto, the city’s major Jewish community group and charitable organization.

In late May, gold baron Peter Munk gave \$37 million to Toronto General Hospital, the largest donation ever to a Canadian hospital, to support cardiac research.

And in mid-June, Heritage Minister Bev Oda announced that new tax incentives introduced by the Conservatives in their first federal budget have generated \$85 million in private donations for the arts community.

“These are remarkable donations that represent a trend in Canadian philanthropy,” says Malcolm Burrows, Financial Consultant, Charities and Gift Planning at Scotia Private Client Group.

“In particular, the new tax incentives for donations are paving the way for Canadians to give in a way that represents their true net worth.”

Many people involved in the charitable sector say these large gifts are only the start of things to come. Thanks to changes in federal tax rules announced in the recent budget, a booming stock market, and an aging population with an estimated \$1trillion to be transferred from one generation to the next during the next 20 years, there has never been a better time for giving.

“You are going to see some extraordinarily large gifts across Canada,” says Nick Offord, a fundraising consultant and former head of Mount Sinai Hospital Foundation in Toronto. “It’s an exciting time.”

If the past is any indication, all signs lead to a significant increase in charitable giving. In 1997, the federal government reduced capital gains tax on donations of public securities by 50% resulting in a three-fold increase in gifts of publicly listed securities to charities from \$69.1 million to \$200.3 million between 1997 – 2000. By some estimates, donations to charities could rise as much as \$500 million annually due to the recent tax changes.

“People born before the Second World War have amassed a fortune and they are now looking for places to donate their money.” said Marvi Ricker, director of philanthropic services at BMO Harris Private Banking.

Charity experts agree - philanthropic legacies have become popular among large donors who have more money to give away than ever with charities.