



Rethinking family philanthropy: The Ultimate Gift

People are changing the way they think about giving. Thanks to a major Hollywood movie based on a best-selling novel by Jim Stovall, **The Ultimate Gift**, families, financial planners and estate advisors are more deeply pondering the benefits of charitable giving and family philanthropy.

Starring James Garner, *The Ultimate Gift* is about a billionaire who forces his grandson to learn that there is more to life than money. Garner's character lays out 12 good deeds that his grandson must follow before collecting his inheritance. Through the process, the grandson experiences the power of gift giving—there is more to life than relishing in one's riches. Earlier this year, The Calgary Foundation, hosted Calgary's premiere of *The Ultimate Gift*.

The *Ultimate Gift* has become a catalyst for a global movement. With over **3.5 million books** sold, readers and viewers of *The Ultimate Gift* are thinking about charitable giving as a family-based initiative. More than ever, parents wish to leave a legacy that has a positive impact—planning bequests that become a force for good in their children's lives or in the world.

"I have been giving *The Ultimate Gift* book to my clients for years, says Dale Ens of Blaeberry Estate Planning Inc. and a Calgary Foundation board member. Its message approaches life in a way that embraces the most important values which define our humanity."

A common misconception is that family philanthropy is a practice reserved only for the extremely wealthy, but *The Ultimate Gift* reminds us that legacy planning—setting aside some money for a cause that is important to the family—is something that all families can consider. Most families have some assets they plan to leave in their will.

Creating a Family Fund through The Calgary Foundation is an effective way for families to nurture a sense of charity and teach children the importance of giving. With \$5,000, a family can establish a Fund. Building on 50 years of experience in the Calgary and area community, Foundation staff is skilled in helping families identify community needs and make simple but often powerful connections to local organizations.

Family philanthropy is also gaining popularity due to a number of demographic trends such as the massive intergenerational wealth transfer. In North America, it is estimated that a whopping \$25 to 41 billion dollars will be inherited or passed along by the year 2052. Parents want to ensure their children and other family members carry through an ethical approach to asset management and embody philanthropic values. How much is too much to hand to their children? How can they pass on the sense of gratitude and community responsibility that has motivated their own charitable giving?

Historically, charitable giving was focused on end of life and estate planning, but increasingly, many citizens are making significant earnings at a younger age and are looking for a means of finding more fulfillment in their life through giving. The Calgary Foundation offers sophisticated gift advice and works with donors and their advisors to ensure donors receive the maximum tax benefits from their gift.

Tax benefits encourage charitable giving

With recent changes to the federal budget, charitable giving can reduce or even eliminate capital gains taxes on gifts of certain types of assets. Earlier this year, the federal government announced a significant tax benefit to boost Canada's philanthropic sector: the removal of capital gains taxes on donated shares. The move is already causing an escalation in charitable donations, according to Kerry Longpre of The Calgary Foundation.

Prior to the new federal budget, capital gains inclusion rates on gifted securities were as high as 25 percent, but the new legislation enables donors to forgo the taxes on donated publicly traded shares and, in some cases, even make money on the gift if the charitable credit exceeds the original value of the shares.

Canada's decision to eliminate the tax came after much lobbying by the charitable sector. Charities pointed to the success of the practice in the United States, where no capital gains taxes are paid on donated shares.

Charities across the country stand to gain significant donations thanks to the tax exemption. The market value of stocks held by Canadians is estimated to be \$1.3 trillion – with almost half of that amount being unrealized capital gains.

According to 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. ... 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 reports that the timing of this tax incentive is ideal. With the stock market's performance being at an all-time high, many Canadians hold enormous unrealized capital gains. "I wouldn't be surprised if this incentive unlocked between \$800 million and \$1 billion in gifts to charity in 2006," he adds.

The Calgary Foundation has strong relationships with professional advisors. A significant number of donations it receives come via their donors' and potential donors' professional advisors.

Traditionally, because of the intimate nature of charitable giving, advisors have expressed some discomfort in introducing the issue of charitable giving to their clients. Increasingly, however the tactical benefits of giving can no longer be ignored. Because of the recent significant tax incentives around gifts of publicly traded securities, advisors can embrace the new legislation as a tool to bridge a conversation about charitable giving with their clients. Generally, people are open to learning about the quantitative and qualitative benefits of giving by their professional advisors.

The Calgary Foundation is already experiencing the benefits. Since May, it has received \$18 million in donations of publicly traded securities. Says Eva Friesen, President & CEO of The Calgary Foundation, "This new tax advantage means that citizens are now giving more and the ultimate beneficiary of this generosity is our community."