



CESTNICK

TAX MATTERS

'Tis the season to get creative with your charitable donations

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If you go to a shopping mall over the next few weeks, take a look at five random strangers. There's a strong probability that one of them will turn to charities for essential services in the next six months. This statistic comes from an Ipsos poll conducted about three weeks ago on behalf of CanadaHelps, an online donation and fundraising platform.

The poll reported that 22 per cent of Canadians expect to rely on charities for help over the next six months, and 20 per cent of Canadians plan to give less to charities this year than last. About 74 per cent of these folks who expect to donate less have cited the rising cost of living as a key reason. Only 13 per cent of Canadians plan to give more than last year. And a survey among small charities conducted by CanadaHelps in August revealed that 59 per cent of them are unable to meet the demands for their services.

In case you're not aware, next Tuesday, Nov. 29, is Giving Tuesday (givingtuesday.ca) – the world's largest generosity movement. There's still time to make a difference this year by giving help to those in need. But let's face it, we're experiencing an affordability crisis

and economic uncertainty, so giving isn't easy.

Today I want to share some ideas that could make giving this year not only possible, but more meaningful.

1. Create a donation allocation.

Which charities will benefit from your generosity? Create a donation allocation – much like an investment asset allocation – in which you identify the high-level areas you want to help, such as health care, education, faith and religion, arts and culture, the environment, international aid, domestic aid, animal welfare, sports and recreation, youth and children, or other areas. Then decide what percentage of your giving will fall into each category. Finally, choose the specific charities in each category you will support.

2. Give every month to make it easier.

By making your donations automatic each month, you'll have an easier time budgeting to support the causes you care about, and the charities will appreciate the funding throughout the year, rather than having to wait until December for a last-minute gift. So, get a

head start for 2023 by setting up your monthly giving today.

3. Donate securities instead of cash. If you have publicly traded securities that have declined in value, you'll be able to claim the capital loss if you donate those securities to charity, and you'll also be entitled to a donation tax credit for the fair market value of the securities on the date of your donation.

Even better, if an investment has appreciated in value, you'll be better off donating the investment to charity than donating cash. For example, suppose you want to donate \$5,000 to charity, and you have publicly traded stocks worth \$5,000 with an adjusted cost base of \$1,000. If you sell the shares then donate the cash, you'll pay taxes of \$1,060 on the capital gain (this assumes a marginal tax rate of 53 per cent). You'll also receive a donation tax credit of \$2,650 (this assumes other donations of at least \$200). So, the net cost of the donation is \$3,410 (\$5,000 plus the taxes of \$1,060, minus the tax credit of \$2,650).

If instead you donate the shares to charity, the tax on the capital gain is eliminated, but you'll still receive the \$2,650 donation tax credit, for a net donation cost of \$2,350 (\$5,000 less \$2,650.)

4. Donate life insurance to a charity. There are four ways to donate insurance to a charity: 1) simply name the charity as beneficiary of a policy; 2) name your estate as beneficiary of the policy and donate through your will;

3) transfer ownership of a policy to a charity; 4) buy a policy for a charity. Each of these approaches has different tax implications. Check out my article of Nov. 18, 2021, "[Four ways to help out your favourite charity with life insurance.](#)" for more.

5. Make gifts in kind. If you don't have cash to donate, consider donating other items you own. It could be something small, such as clothing, or as significant as real estate. You'll be entitled to a donation tax credit for the fair market value of what you donate. Speak to the charity first to make sure it can and will issue a donation receipt for your gift in kind.

6. Give the gift of giving. If you're not sure what to buy the person on your list who has everything, consider a gift that enables them to give. This could be a charity gift card (canadahelps.org): You buy a card loaded with funds that is delivered to the recipient by e-mail, who can then donate those funds to a charity of their choice. Or consider adding funds to an impact account (see charitableimpact.com) for another person to then donate to charity.

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