

# Give to live: The joy of purposeful and strategic giving



Chuck Feeney, who is aiming to die broke by giving away his billions of fortune from his duty free empire to charitable causes, has one big idea in life: “You should use your wealth to help people,” according to the biography of the man dubbed as the James Bond of philanthropy.

You may not necessarily be a billionaire like Chuck but perhaps, you’ve managed to build wealth like him through decades of hard work. Now, you are yearning to leave a lasting legacy to your family and community by donating to charitable causes that you are passionate about — whether it be advancing culture and the arts, or fighting against poverty, illiteracy, cancer or other diseases.

In fact, many Canadians like you are inspired to make a difference through giving. A vast majority of affluent Canadians (91 percent) have given to charitable causes in the past 12 months, and 74 percent said they’ve donated up to \$10,000 to charitable causes, according to a recent report from BMO and GIV3 Foundation.

When asked what motivates them to give, more than half (55 percent) said they want to make an impact on their community. Others feel passionate about a certain cause (32 percent), while some feel that they should simply share wealth with others (23 percent). Giving to reduce taxes was the least important reason stated for being charitable among Canada’s affluent givers.

To make your philanthropic pursuits more rewarding, incorporate your charitable giving into your overall wealth management plan. Seeking the help of a professional wealth planner can help make your gift work well beyond your lifetime. Strategic giving can also help you reap tax benefits, but that’s just an added bonus that will enable you to give more to your community and your loved ones.

Following the United States and Myanmar,

## Canada ranks



**3<sup>rd</sup>** in the **2014 World Giving Index** after taking into account overall donations, volunteer time and help given to strangers

## Did you know?

According to Statistics Canada,

## Canada donated



**\$12.8 billion** to charitable and non-profit organizations in 2013.

Donors aged 55 and over gave the most.

Slightly more than 40% of all financial donations went to religious organizations.

## Here are some ways to give as part of your overall wealth plan:

### Charitable Donation Tax Credit

There are no rules on cash gifts to charities, but you can give in-kind donations such as securities, RRSPs, RRIFs, and real estate to a registered operating charity within government rules on non-cash gifts. You can claim charitable tax credit for donations up to 75% of your net income for the year and carry forward unclaimed donations in a given tax year for up to five years. The maximum donation increases to 100% in the year of the donor's death and in the year prior to death. Tax credits for charitable donations are in the top marginal tax rate, except for gifts less than \$200 where a smaller credit applies.

### Appreciated Securities

By directly donating appreciated securities to a registered charity, you can avoid paying taxes on capital gains that you would otherwise incur from selling the security, even if you donate the sales proceeds to a non-profit group.

### Endowment Funds, Donor Advised Funds and Private Foundations

Community foundations are independent public foundations that pool and manage funds to support charitable causes in their community. They often help donors channel their support to specific societal needs and ensure that all gifts received and endowment funds established are used for the purposes directed by the donor. You can claim tax credit for donations made to community foundations.

Donor-advised funds, on the other hand, are charitable giving accounts typically administered by public entities such as community foundations and some financial institutions. Donations through donor-advised funds are tax-deductible. Giving through donor-advised funds can be a cost-efficient alternative to setting up a private foundation.

Private foundations have been a popular vehicle for affluent families who wish to create a legacy through charitable giving. Setting up a private foundation is ideal for those who wish to retain control and be involved in making decisions about granting. Private foundations also allow families to pass on their values through family giving, and involve family members in the decision-making process.

#### Five Questions To Ask Yourself Before Giving To A Charity

1. Are you passionate about the charity's overall mandate?
2. Is the organization a registered non-profit?
3. Do you respect the people affiliated with the organization?
4. Do you know how donations are used and what impact your contribution will have?
5. What percentage of every dollar given goes directly to the charity's cause?

## Giving to your loved ones

Giving to your community and to causes that you care about is fulfilling, but nothing can be more satisfying than giving generously to your own kin. Whether it's giving a treasured collection of china to your daughter, or passing on the family cottage to your grandchild, there is an inherent joy in being able to see the impact you can make on your loved ones.

However, there are tax considerations that you should keep in mind when bequeathing assets to your family.

For example, transferring capital property such as real estate and securities that have increased in value over time could trigger taxes on accrued gains. Canada has no inheritance taxes, but when you pass on a property that is not a primary residence like the family vacation home, the transfer of ownership would be subject to taxes unless the beneficiary is your surviving spouse or common law partner. These capital gains taxes are not passed on to your loved ones, but to your estate.

Disputes among family members could also arise in dividing assets, particularly personal possessions with emotional value. For some family members, the emotional value of the family portrait that grandpa painted, or your vintage collection of fishing gear that brings up memories of family outings, could equal or far outweigh its financial value.

## For a smooth settlement of these personal or emotional items, the following tips are helpful:

### Talk to your heirs

Some of the most painful estate battles have been on dividing personal items, so don't leave it to your executor to decide how to settle the division of your non-financial assets. Have a conversation with your heirs and make your wishes clear on assets with emotional value to avoid disputes among your loved ones after you are gone.

### Decide on a strategy

Decide how to best deal with these items based on your conversation with your heirs. You can write down who will get specific items in your will, to avoid potential conflict among your family members.

### Act on your plan

Take whatever action is needed to put your strategy in place. Thinking ahead and seeking the help of a professional wealth planner will help you come up with an effective strategy for a smooth and conflict-free settlement of your estate, particularly the non-financial assets.

## Giving beyond money

Giving time and talent is also a central theme of living philanthropically. Life can be hectic but still, you may find time to help on the board of a non-profit, train for a marathon to fight cancer, or hike with your family to Mount Kilimanjaro to help raise funds for orphaned African children. In essence, you simply choose to generously share your most coveted asset: your time.

Like you, many Canadians contribute their time to improve the well-being of their communities. In 2013 for example, 12.7 million Canadians or 44% of the country's population, took part in some form of volunteer work, according to the latest data from Statistics Canada. These volunteers collectively devoted almost two billion volunteer hours, which is equivalent to about one million full-time jobs.

You may not be entitled to a tax credit for volunteering, but the benefits from serving others go beyond any monetary reward that you could ever get. A study by the Washington-based Corporation for National Community Service showed that those who gave social support to others had lower rates of mortality than those who did not. Volunteering can also foster social ties that protect individuals from isolation during difficult times, while the experience of helping others results in a greater sense of self-worth and trust, according to the CNCS study.

“ Giving money away is easy.

Giving money away well is fiendishly difficult. ”

– Warren Buffett

## Giving Wisely

Gift giving indeed comes in various forms, but whatever it is that you choose to give, it's important to have a strategy that will make your giving more rewarding and impactful. To best execute your charitable pursuits, sit down with a financial advisor to help you identify strategic options that could help you avert potential tax woes. Planning ahead will also help fend off family disputes that could quench your joy of giving. You've been giving wholeheartedly; make sure to also give smartly.

### Let's connect



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