

Giving back

There are many ways to give back as you near the exit phase of your business. While starting a private foundation is a popular method to create a legacy for your family, other strategies may better fit your needs and situation. Aside from the benefit of helping others, a major benefit of charitable giving includes tax credits that can be claimed for up to 75% of your net income for the year.¹ Generally, almost any property of value can be contributed as a charitable donation, with some restrictions around non-cash gifts.

Private Foundation

A private foundation is a philanthropic vehicle that can provide flexibility for your planned charitable giving, and can involve family members to promote family philanthropy and build a legacy. The design of private foundations requires careful planning, and involves both up-front and ongoing administrative costs.

Donor-advised funds

A donor-advised fund gives investors the ability to create a lasting impact on the causes that matter to them. The BMO Charitable Fund Program allows you to set up a donor-advised fund in collaboration with the Gift Funds Canada Foundation. In this way, you can make a charitable contribution to the fund and obtain tax-saving benefits, while having the flexibility to make disbursements to your designated charitable beneficiaries over time.

Types of gifts

Appreciated securities

When you donate qualifying publicly traded appreciated securities directly to a charity, any capital gains that would have been incurred on the eventual sale of the securities will be tax free. Whereas an individual will receive a tax credit for the charitable gifts, corporations are entitled to a deduction equal to the value of the gifted property. For charitable deductions claimed each year, similar to individuals, corporations are also restricted to a maximum of 75% of their current year's net income, with the potential to carry forward any excess for up to five years.

Life insurance

Donating a life insurance policy to a registered charity is another popular strategy for giving back. This can be achieved in several ways:

- Make the charity the beneficiary – upon your death, the charity would receive the death benefit proceeds and your estate would receive a tax receipt for the full amount of the proceeds.
- Make the charity the owner and beneficiary – a donation receipt based primarily on the cash surrender value of the policy is issued and all future premiums paid by the insured are considered charitable donations eligible for a charitable tax credit.

Life annuity

Donating a life annuity can make a significant gift without impacting your need for retirement income. You can use a portion of your capital to buy a life annuity to provide a lifetime stream of income, and the remaining capital can be donated to the charity of your choice.

With the number of avenues available for charitable giving, choosing the right option for you may be challenging. Let your BMO financial professional help you decide how you can make giving back a rewarding experience.



We're here to help.™

¹ For donations made in the year of death the credit limitation is increased to 100% of the deceased's net income. In Québec, the 75% limitation does not apply for 2016 and subsequent taxation years in calculating the qualifying Québec provincial donation tax credit.

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