

Gifts of Appreciated Securities

The incentives for Canadians to donate publicly traded securities (shares or mutual funds) directly to charities was enhanced by the Federal government since 2006. The payment of capital gains tax is eliminated on this type of direct gift.

This enhancement creates an excellent gifting mechanism that may multiply the benefits to you and to your favourite charity. It is particularly useful at a time when shares have appreciated in value significantly.

GIFTS LIKE THESE ALLOW YOU TO:

- > realize significant profits from the appreciated securities you wish to donate
- > pay no income tax on the gains realized
- > make a generous gift to charity
- > make use of the excess tax credit generated from this gift to reduce other tax liability

The sum of the parts is GREATER than the individual parts.

The following chart illustrates the benefit of gifting \$50,000 of appreciated securities versus selling the security and giving the proceeds from the transaction.

| | Sell the shares and donate the cash | Donate the shares directly to charity |
|---|-------------------------------------|---------------------------------------|
| Purchase price | \$10,000 | \$10,000 |
| Current value | \$50,000 | \$50,000 |
| Capital gain | \$40,000 | \$40,000 |
| Taxable Capital Gain @ 50% | \$20,000 | \$0 |
| Net tax payable @ 45% | \$ 9,000 | \$0 |
| Tax Credit @45% of donation* | \$22,500 | \$22,500 |
| Value of remaining Tax Credit - used to pay other tax liabilities | \$13,500 | \$22,500 |
| Benefit to charity | \$50,000 | \$50,000 |
| Sum of Benefit | \$63,500 | \$72,500 |

*Tax rates vary from province to province



Gifts of Appreciated Securities...continued

SOME RULES

TO QUALIFY FOR THIS SPECIAL TAX TREATMENT, THE SECURITIES MUST:

1. Be publicly traded securities which include:
 - >Stocks or shares listed on an approved stock exchange
 - >Units or shares in a Mutual Fund
 - >Units of a segregated fund trust from an insurance policy
2. Have appreciated in value
3. Be donated in kind to a charity or public foundation
 - >Not sold by donor
 - >Ownership transferred directly to charity or public foundation

HOW CSS CAN HELP YOU

We are pleased to assist donors by offering a convenient facility for donors to take advantage of these new rules. CSS can receive your Appreciated Securities gift and look after all the details.

- >We will provide the necessary forms and information to handle the transaction.
- >We will arrange to sell the securities.
- >CSS will issue a donation receipt for the fair market value of the shares when received.
- >CSS will follow your instructions on distributions to the charities you wish to support - as many charities as you wish.
- >CSS can give anonymously on your behalf.
- >CSS provides flexibility in distributing the proceeds - either immediately to charity or holding them for you in an Endowment or Donor Advised Fund.

Contact CSS

Call your CSS stewardship consultant or head office for information on how we can assist by helping you and your favourite charities benefit from a gift of appreciated securities.

What Does the Service Cost?

There is no cost to the donor and CSS uses discount brokerage firms to minimize the cost of selling the shares. CSS distributes the gifts to partners at no charge.

*This bulletin is not intended to provide tax advice.

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