



Help Make a Difference in the World While Saving Tax

Donating securities directly to a charity can be tax effective and aid the cause of your choice.

Canada has long provided generous tax incentives for Canadians who donate to charitable organizations. Since 2006, an additional incentive has allowed Canadians to donate publicly-traded securities with unrealized gains.

Donating Securities – Cash vs. Shares

For example, let's assume you have shares of XYZ Co. worth \$5,000 that you originally purchased for \$3,000. If you sell the shares and donate the proceeds to a registered charity, you can expect \$437 in capital gains taxes (assuming a marginal tax rate of 43.7%*). However, since you would receive a tax credit of \$2,138, the total economic cost to you would be \$3,299 (see table below).

	SELL SHARES & DONATE CASH	DONATE SHARES DIRECTLY
A Value of Donation	\$5,000	\$5,000
Original Cost of Shares	<u>(3,000)</u>	<u>(3,000)</u>
Capital Gain	2,000	2,000
Taxable Capital Gain (50% or NIL)	1,000	-
B Income Tax @ 43.7%*(Before Credit)	437	-
C Donation Tax Credit (\$200 x 20.06%) + (\$4,800 x 43.7%*)	2,138	2,138
A+B-C Economic Cost of Donation to You	\$3,299	\$2,862

On the other hand, if you choose to donate the shares directly to a charity, you would not only receive a tax credit of \$2,138, as stated above, but you would also save the \$437 in capital gains taxes. Under this scenario, the total economic cost for your \$5,000 donation would be \$2,862 (see table above).

For individuals with securities that have appreciated in value, donating shares, in lieu of cash, to a registered charity can be advantageous. Talk to your Investment Advisor or Portfolio Manager for more details.

The information contained herein is for general information purposes only and is not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard. Many factors unknown to Odlum Brown Limited may affect the applicability of any matter discussed herein to your particular circumstances. You should consult directly with your financial advisor before acting on any matter discussed herein. Individual situations may vary. Odlum Brown Limited is a Member-Canadian Investor Protection Fund.

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*Tax rates reflect combined federal and BC provincial rates. For 2017, donors who report more than \$202,800 in taxable income and are thus subject to the top federal tax rate will benefit from the federal 33% donation tax credit, bringing the combined total credit to 47.7%.