

ADVANCING PHILANTHROPY ACROSS CANADA

A GIFT PLANNING MATRIX

Type of Gift	Benefits to the Charity	Benefits to the Donor	Acceptable Assets	Most Appropriate for:	R
Outright Gift of Cash	<ul style="list-style-type: none"> • Immediate Use • Liquid • No risk 	<ul style="list-style-type: none"> • Donation receipt for full amount • Straight forward transactions • Satisfaction of seeing gift at work today 	<ul style="list-style-type: none"> • Cash • Cheque • Credit Card • Pre-Authorized Contributions (PAC), usually paid monthly 	<ul style="list-style-type: none"> • Everyone (any age) who can afford to give up some principal and the interest it would otherwise earn 	
Gift of Publicly Listed Securities (including segregated & mutual fund units, exchange traded funds units including those representing gold and silver)	<ul style="list-style-type: none"> • Immediate Use • Liquid • Little risk • Generally simple and low cost to implement 	<ul style="list-style-type: none"> • Donation receipt for fair market value • No tax on capital gain • Satisfaction of seeing gift at work today 	<ul style="list-style-type: none"> • Stocks • Bonds • Mutual Fund Units • Employee Stock Option Shares 	<ul style="list-style-type: none"> • Owners (any age) of stocks, bonds and other securities who can afford to give the asset and the interest or dividends it earns 	
Life Insurance Policy (Charity named as <u>owner</u> and irrevocable beneficiary)	<ul style="list-style-type: none"> • Immediate access to cash value, assurance of death proceeds if policy retained (Term policies are often not retained as donor gets older) 	<ul style="list-style-type: none"> • Donation receipt for value of policy and any future premiums paid • Small current outlay leveraged into larger future gift 	<ul style="list-style-type: none"> • Any whole life policy (participating or universal) • Term policy (personal) 	<ul style="list-style-type: none"> • Persons (generally ages 30-60) who i) have an older policy no longer needed, or ii) want to make a large gift but have limited resources 	
Life Insurance Policy (Charity named as <u>beneficiary</u> but not owner)	<ul style="list-style-type: none"> • Will receive death proceeds unless donor changes beneficiary designation 	<ul style="list-style-type: none"> • Satisfaction of providing a future gift while retaining full control of policy • Donation receipt for use with final income tax return for full value of death proceeds 	<ul style="list-style-type: none"> • Any type of life insurance policy 	<ul style="list-style-type: none"> • Persons (any age) whose personal needs and family situation may be subject to change 	

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Designation of Retirement Plan Accumulations (RRSPs, RRIFs)	<ul style="list-style-type: none"> Future gift provided beneficiary designation(s) and/or designations are not changed 	<ul style="list-style-type: none"> Satisfaction of providing a possible future gift while preserving personal security Gift receipt that offsets tax on distribution of retirement funds 	<ul style="list-style-type: none"> Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) accumulations 	<ul style="list-style-type: none"> All individuals, but especially single persons, and surviving spouses who have made other provisions for heirs 	
A Gift by Will (Bequest)	<ul style="list-style-type: none"> Expectancy of future gift provided that bequest designation (wording in the will) is not changed 	<ul style="list-style-type: none"> Satisfaction of providing for future gift while retaining full control of property Donation receipt for use by <i>the estate</i> as determined by 'estate trustee' (see changes noted below, effective 2016)¹ For bequest of listed securities, any capital gain is <i>exempt</i> from tax; for other property 50% of gain is taxable, but tax credit on exceed tax on gain, likely resulting in tax savings 	<ul style="list-style-type: none"> Cash, securities, real estate, tangible personal property 	<ul style="list-style-type: none"> All individuals (any age), but especially older persons with few or no heirs 	

¹ Provided the gift is made by an estate that qualifies as a *graduated rate estate (GRE)*, the executor (or "estate trustee") can allocate any portion of the 'end of life' donation (and resulting tax credits arising from the gift) against any of the following:

i) The last, or next-to-last tax year of the deceased individual, ii) The tax year of the estate in which the donation is made, and/or iii) An earlier tax year of the estate.

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Shares in a privately-owned corporation	<ul style="list-style-type: none"> Share may pay dividends Charity may be able to sell shares in near term, or may hold them for an indefinite period 	<ul style="list-style-type: none"> Donation receipt for lesser of selling price and transfer value, issued when shares are sold 50% of gain is taxable, but tax credit will exceed tax on gain, resulting in net tax savings 	<ul style="list-style-type: none"> Shares held in privately-owned corporation (private shares) 	<ul style="list-style-type: none"> Entrepreneurs who are philanthropic Venture philanthropists 	
Outright Gift of Real Estate	<ul style="list-style-type: none"> Proceeds available as soon as property is sold Sometimes property itself can be retained and used Valuation and ongoing maintenance can add complexity to gift administration 	<ul style="list-style-type: none"> Donation receipt for fair market value (FMV) determined by appraisal 50% of gain taxable, but tax credit will exceed tax on gain, resulting in net tax savings No tax on gain if a principal residence 	<ul style="list-style-type: none"> Real Estate 	<ul style="list-style-type: none"> Owners (generally over 50) of a principal residence or investment property who do not need the property or the proceeds from its sale 	
Outright "In-Kind" Gift of Tangible Personal Property (other than cultural property)	<ul style="list-style-type: none"> Can be retained or sold and proceeds used for current needs Decisions to retain assets warrant careful consideration, in light of implications for valuation and usefulness for charitable purposes 	<ul style="list-style-type: none"> Donation receipt for fair market value determined by appraisal 50% of gain taxable, but tax credit will exceed tax on gain, resulting in net tax savings Satisfaction of seeing gift at work now or in near term 	<ul style="list-style-type: none"> Artworks, collections, furniture, equipment, collections, musical instruments, automobiles 	<ul style="list-style-type: none"> Owners (generally over age 50) of objects which they no longer intend to use 	

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Type of Gift	Benefits to the Charity	Benefits to the Donor	Acceptable Assets	Most Appropriate for:	R
Outright Gift of Ecologically-Sensitive Land	<ul style="list-style-type: none"> Property protected from development; preserved for public enjoyment 	<ul style="list-style-type: none"> Donation receipt for fair market value determined by appraisal No tax on gain Extended period for using donation receipt and resulting tax credits Satisfaction of protecting the environment 	<ul style="list-style-type: none"> Land certified by Minister of the Environment 	<ul style="list-style-type: none"> Owners of ecologically-sensitive land who are committed to land preservation 	
Charitable Remainder Trust (CRT)	<ul style="list-style-type: none"> Irrevocable <i>future</i> gift of remaining principal While often complex to administer, can be a highly effective gift planning instrument in selected circumstances 	<ul style="list-style-type: none"> Net income from property for life or a term of years Donation receipt for present value of the remainder interest Property not subject to probate 	<ul style="list-style-type: none"> Cash, securities, real estate 	<ul style="list-style-type: none"> Persons (generally over age 60) who want to make a future gift and obtain present tax relief but want to preserve investment income for themselves and/or a survivor 	
Gift of Residual Interest in real estate	<ul style="list-style-type: none"> Irrevocable future gift of property 	<ul style="list-style-type: none"> Ability to continue using property for life or term of years Donation receipt for present value of residual interest Property not subject to probate 	<ul style="list-style-type: none"> Principal residence, other real estate 	<ul style="list-style-type: none"> Persons (generally over age 60) who otherwise would give the property under their will 	

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Type of Gift	Benefits to the Charity	Benefits to the Donor	Acceptable Assets	Most Appropriate for:	R
Outright Gift of Certified Cultural Property	<ul style="list-style-type: none"> Immediately added to collection and available for display or exhibition 	<ul style="list-style-type: none"> Donation receipt for fair market value determined by appraisal (unless a tax-shelter arrangement) 100% contribution limit No tax on capital gain Satisfaction of preserving property of national significance 	<ul style="list-style-type: none"> Artworks, collections, artifacts or historic structures certified by Canadian Cultural Property Export Review Board (CCPERB) 	<ul style="list-style-type: none"> Owners (generally over age 50) of cultural treasures who would like to preserve the property within Canada 	
Interest-free Loan (normally payable on demand)	<ul style="list-style-type: none"> Provides capital for building or investment without interest cost 	<ul style="list-style-type: none"> Principal is recoverable Interest earned by charity on loaned funds not taxable to donor Satisfaction of helping charity today 	<ul style="list-style-type: none"> Cash and cash equivalents 	<ul style="list-style-type: none"> Persons (any age) who have more than enough current income but want to preserve all principal for their own future security and/or heirs 	
Charitable Gift Annuity (self-insured)¹	<ul style="list-style-type: none"> Irrevocable gift of whatever principal remains after making required payments 	<ul style="list-style-type: none"> Guaranteed life payments, all or substantially tax-free Donation receipt for a portion of contribution 	<ul style="list-style-type: none"> Cash or marketable securities 	<ul style="list-style-type: none"> Oldest donors (usually 65 and older) who want the security of guaranteed payments 	

¹ **Note:** Only charitable organizations (other than *public or private foundations*) and authorized under provincial law, may currently issue gift annuities.

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Type of Gift	Benefits to the Charity	Benefits to the Donor	Acceptable Assets	Most Appropriate for:	R
Charitable Gift Annuity (reinsured)²	<ul style="list-style-type: none"> Irrevocable gift of that portion of contribution retained after purchase of commercial annuity 	<ul style="list-style-type: none"> Guaranteed life payments, all or substantially tax-free A donation receipt for a portion of contribution 	<ul style="list-style-type: none"> Cash or marketable securities 	<ul style="list-style-type: none"> Oldest donors (usually 65 and older) who want the security of guaranteed payments 	

Rating System:



SEEK!

Most attractive – Easy to Accept and Administer, Minimal Complexity, Most Flexible



CAUTION!

Less attractive – More Complex Administration, Appraisals required. Suitable only in certain situations.



STOP!

Avoid (or redirect) these gifts due to various legislative and regulatory restrictions

Original Source: *Planned Giving for Canadians*, Minton & Somers. (Adapted, updated and revised)

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² **Note:** Currently public and private foundations may not reinsure gift annuities.