

Campaign Gift of Securities

AN ALTERNATIVE OR SUPPLEMENT TO CASH GIFTS

Charitable Gift of Securities

Giving securities is often a better alternative than a gift of cash. You may have a portfolio of listed stocks or mutual funds that have increased significantly in value since you purchased them. It may be more advantageous for you to make your charitable gifts with these assets and keep your cash.

Gifts of Listed Securities

Gifts of appreciated securities are very appealing today. Donors are taking advantage of the tax benefits provided for gifts of qualifying securities to public charities. These include bonds, shares, bills, warrants, mutual funds, and futures traded on approved stock exchanges. Using a gift of securities, donors can eliminate the taxable portion of their capital gain and receive a tax receipt for the fair market value of the securities on the day Cairn Christian School receives them.

How do Gifts of Securities Work?

Donors holding highly appreciated securities and wishing to make an outright gift to Cairn Christian School should consider giving these assets, rather than cash, resulting in their being able to make a larger gift at a lower cost. When donors decide to make a gift of securities, it is important that someone from Cairn be involved. We are able to provide donors with the procedures and documents needed to make such a transfer.

How can donors make a transfer of securities to Cairn Christian School?

- Transfer the shares electronically to Cairn Christian School's brokerage firm, The Christian School Foundation.
- Give the share certificate in the donor's name to the brokerage firm, along with a Power of Attorney. This will allow the organization to transfer the shares.

Cairn Christian School's brokerage firm will work with the donor and/or their financial representative to determine the best option for the individual and help guide him/her through the steps of the gifting of securities process. As with any donation to Cairn, donors may choose to designate or leave the gift unrestricted.

What are the Tax Benefits to the Donor?

Giving securities offers many immediate tax advantages. When a donor transfers securities to Cairn Christian School, they will be entitled to a gift receipt for the fair market value of the securities on the day the legal transfer to Cairn occurs. If a donor gifts stocks, bonds and mutual funds to Cairn, they do not pay capital gains tax on their increase in value. This is 100% of the regular capital gains rate. When you combine this with your

charitable tax credit, the savings clearly are significant. Donors are therefore able to claim donations up to 75% of net income, plus 100% of any taxable capital gain.

Option 1 – Mrs. Smith donates her securities:

Mrs. Smith wishes to donate \$100,000 towards the campaign for Cairn Christian School. She holds securities valued at \$100,000, which she purchased ten years ago for \$30,000. This means she will have a capital gain of \$70,000. Immediately, Mrs. Smith is eligible for a gift receipt for \$100,000. Further, since she is gifting the securities directly to Cairn, she doesn't pay tax on the capital gain.

Option 2 – Mrs. Smith sells her securities and donates the proceeds:

If Mrs. Smith had sold the securities and donated the proceeds, she would have been taxed on \$35,000 (50% X \$70,000) of the capital gain. If Mrs. Smith's combined federal and provincial tax rate is 50%, her after tax proceeds would be \$82,500.

A Summary of Benefits to the Donor

- The donor pays no capital gains tax.
- The donor receives a charitable gift receipt for the fair market value of the securities at the close of business on the day of transfer.
- Donor receives a tax credit for the donation.
- Donors enjoy an increased charitable donation limit (75% of net income plus 100% of taxable capital gain).

A Summary of Benefits to Cairn Christian School

- The donor makes an irrevocable gift to the organization.
- The organization can sell and convert the securities to cash for immediate use.
- Gifts of securities offer a wonderful opportunity for Cairn to recognize and thank donors during their lifetime.

Information in this document does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice. You should always seek professional legal, estate planning, and financial advice before deciding on the course of action that is best for you.

For more information, please contact:

Jackie Jones
Senior Consultant
The Dennis Group Inc.
jjones@thedennisgroup.ca
905-730-1121

Tracey Blodgett
Communications & Fundraising Consultant
The Dennis Group Inc.
tblodgett@thedennisgroup.ca
705-772-3558