

DONATION INNOVATION

Be a Big Benefactor on a Budget



If you want to make an impact like the big philanthropists, but don't have a bank account like one, some new giving options are allowing benefactors to make a difference, even if they aren't super-rich.

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Ruth's parents and grandparents worked hard to give her financial security. Over their lives they passed down various assets to her, including income properties and other types of investments. Ruth decided she wanted to use some of their assets to help her help others.

Ruth's father, a holocaust survivor, was a living reminder that if it wasn't for the generosity of others, her family wouldn't be here. "Because of that, I grew up with a strong notion of human rights and equality for all," Ruth says. "I wanted to use the money to promote those ideals."

Ruth gets a lot out of her philanthropy. From an emotional standpoint, it makes her feel positive, and that she can make a difference. During trying times in her personal life, she took comfort in helping others. "I went through a difficult divorce, and needed to send a strong symbolic message to myself: doing something positive with my money," Ruth recalls.

During her marriage, she invested in shares of her husband's company. Now divorced, she wanted to do something with those shares that felt liberating and cathartic. Her advisor suggested donating them to a charitable giving account — also known as a Donor Advised Fund —

a new and increasingly popular investment account for growing money with the purpose of giving that money to charity. Like a foundation, it can help you give like a philanthropist — but without the exorbitant expense and complicated paperwork.

Ruth set up her Donor Advised Fund with the shares and committed to support multiple causes for as long as she and her kids were financially able to make an impact; she chose Amnesty International — a cause that she has supported for 30 years, YWCA Toronto which supports loans for

446

*According to Statistics Canada,
the average annual donation
per donor is only \$446*

GIVE



To your account and receive a tax deduction

women who are victims of abuse, and Tostan — a charity that provides services and education in Africa, and that help get supplies to remote areas by motorcycle. “A few years ago, to get outside my comfort zone, I enrolled in dirt-bike lessons which lead to a new relationship and a lot of learning about motorcycles,” relays Ruth. “... and it got me thinking; the motorcycles are highly functional and enabling, and infinitely repairable – thereby they serve a multitude of needs and can deliver aid in many ways.”

GROW



Your charitable dollars by investing

According to Statistics Canada, the average annual charitable donation is only \$446¹, even though there are many benefits — financial and otherwise — of giving. Charitable donations can reduce your tax burden and also play an important role in estate planning. And, if you are fortunate enough to have a little extra, or come into some money by a windfall, like a severance or inheritance, all or some of it can go towards charitable donations and provide a unique chance to honour someone — or yourself.

GRANT



To your favorite charities year after year

“Many of those who are set to inherit substantial amounts are already financially successful and have more than enough to live on,” says Jo-Anne Ryan, Vice President of Philanthropy, Wealth Advisory Services at TD Wealth. “Doing a comprehensive financial plan will help you to determine how much of your wealth is required to make ends meet and how much you can afford to donate to charity.”

It doesn't have to be an all or nothing proposition—charitable giving can be a part of your whole financial picture by giving to charity alongside investing and saving.

Like all investing, it's best to work with an advisor to determine the best financial strategy for you.

"Consider developing a philanthropic plan," Ryan says. "You may set up your own foundation or may choose to establish a Donor Advised Fund. You can establish a donor advised fund with as little as \$10,000, something that most people aren't aware of, and it gives you the opportunity to manage your giving and make a real impact."

What is a Donor Advised Fund?

Donor Advised Funds were created to allow people to both grow their investments and give money to charities, with the idea that if your investment

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grows in the fund, you will have more money to give to charity. Because of how it is structured, you get the full tax deduction when you put assets in the Donor Advised Fund, and then can decide later who and how you want to give the money to.

You can open a Donor Advised Fund at a bank or a charitable foundation, such as Canada Gives. In some cases, you can choose how your money is invested (equities, bonds, or fixed income, funds), while in others, your money is pooled into a fund that is invested in the market.

After that, you decide where the money goes, how much is dispersed and at what time of year. Each year, your account gives grants to registered charities of your choice.

The benefits of a Donor Advised Fund

- ***You get the tax deduction right away:*** If you want the tax break now, but don't know which charities you'd like to support, you can choose those charities at a later date. And charitable donations over \$200 per year can mean a provincial and federal tax credit of nearly 50 per cent, depending on your province.
- ***Growth is tax-exempt:*** Any appreciation in the value of the investments in the fund is tax exempt. With no capital gains tax to worry about, there's more to give.
- ***Simple to set up:*** Setting up a foundation requires legal help — you'll need to put a board of directors into place, and a foundation involves complicated financial reporting. But a Donor Advised Fund, or a charitable giving account doesn't require any of that. The institution where the account is set-up will take care of all the reporting requirements for you. That means that this can be a convenient way to donate continuously to multiple causes that are close to your heart — without the time and paperwork involved in setting up a traditional foundation.
- ***Cost-efficient:*** Foundations are expensive to set-up and operate. To set-up a private foundation, a minimum of \$2-million would likely be needed to cover setup costs and administration. A Donor Advised Fund can be opened with as little as \$10,000 and the administration and annual fees are minimal.
- ***Keep it Anonymous:*** There's the opportunity for anonymous giving, which may be important to many clients. Private foundations aren't very private. Through reporting to the Canada Revenue Agency, a foundation's activities can become very public. But, with a Donor Advised Fund, donors can make significant charitable gifts without letting the rest of the world know that they are the philanthropist behind it. With many organizations doing good work globally, donors are no longer opting to cut a cheque to only one organization. A Donor Advised Fund allows you to spread your donations around to various charities.

- **Manage the timing:** You decide where the money goes, how much is dispersed and at what time of year. Each year, your account gives grants to registered charities of your choice. And, just like any charitable donation, you will get a tax receipt for the amount contributed when you make your initial donation into the fund. The fund administrator takes care of the details — which leaves you to focus on how to help others.

You have to keep the money moving

Donor Advised Funds, however, are not a place to park money or assets for a long period of time. At least 3.5% of the fund's value must be distributed every year. This means the fund will pay out this amount every year, whether or not your investment does well. During years that the markets are down, that may mean that you'll have to distribute part of the principal.

Also, the fund is also irrevocable — meaning that you can't change your mind down the road and withdraw the money for any purpose.

Donor Advised Funds can be flexible, easy and less expensive than other ways to give to multiple causes that you care about— year after year.

"Giving was one way for me to remind myself, during a difficult time, of my autonomy and self-determination," says Ruth. "I budget my allocations from my fund so that I don't run out and also so that I can eventually disburse larger amounts. I want to hand over the fund to my kids. So, like anything, I weigh things out carefully and make decisions based on multiple factors – the fabulousness of giving and grace and delight of engaging is one of them."

—Denise O'Connell, *MoneyTalk Life*

¹Turcotte, Martin. Charitable Giving by Canadians. Statistics Canada. 2010. statcan.gc.ca/pub/11008-x/2012001/article/11637-eng.htm. Accessed June 28, 2016

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