



Important Topic: Charitable Donations & Tax Efficiency – Before December 31

If you are making charitable donations please reach out to us.

We can increase the tax efficiency of such donations by giving investments that have appreciated in value.

1. Donate appreciated securities & save the capital gains tax.

Instead of donating \$1,000 of cash to a charity, donate \$1,000 worth of securities where the cost basis is low, and use the \$1000 of cash to repurchase what was donated. In this case one gets the same \$1,000 charitable tax credit as they would from donating cash, one's portfolio ends up exactly the same, but now the tax on the capital gain on the donated security is avoided altogether and forever.

2. Time the use of the Donation tax credit to maximize impact

If one's income is uneven then one's donation credit should not be used in a low income year but carried forward to offset taxes when one is in a higher income tax bracket. Discuss this with your accountant.

3. Donations from corporate accounts

If you make a donation of shares from a corporate account, not only do you avoid paying tax on capital gains, but you also increase the CDA (capital dividend account). Half of the capital gain amount is now able to be paid out to shareholders on a tax free basis. For example, if you donate a share with a cost base of \$1 and the share is now \$101, the corporation get a tax receipt for \$101, plus the corporation get to pay out \$50 ($\$101 - \$1 = \$100 \times 50\%$) which is now in the CDA tax free

from your corporation to the shareholder.

4. Estate

Separately, this idea is of particular importance for those who plan on making large donations through their wills. Large donations at death can provide a tax credit that is larger than the taxes due in one's final year. Such a tax credit will simply go unused. Therefore, instead let us devise a plan where donations are an annual event so that we fully use the tax benefits and minimize taxes.

5. Donor Advised Funds

One can easily and quickly open a Donor Advised Fund which functions like your own private charitable foundation. The advantages are several including one donation that is then sent out to numerous charities, ease of donating securities to one place, convenience of receiving one tax receipt instead of numerous, and the ability to separate the donation from the distribution thereby facilitating a large donation in one year to offset a one-time large capital gain (sale of a building) but permit distribution of these funds over the coming years to match annual commitments. Please let us know if this would be of interest.

These are some of the ways we can help maximize the tax efficiency of donations. Please consult with us when making charitable donations. We can help make a difference.

Market Update – November 2020

This month I am attaching a piece put out by TD that I think is excellent. It touches on a number of issues and puts several of them in proper perspective.



November has been an excellent month in the markets! With the US election behind us and the announcement of vaccines, the markets are looking forward with optimism.

We may be entering a new period of prosperity as billions of dollars that were sitting on the sidelines have now been invested and there are trillions more. Remember that prices are greatly affected by demand. Setting aside the fundamental, core, actual value of an item, if there are suddenly more buyers prices go up. This may last a while.

However, as always, regardless of any short term influence or complication, we believe that superior companies and investments trading at attractive valuations are sound and provide attractive long-term returns. We remain focused, selective and patient.

For the month the bond market was up 1.2%, the Canadian market was up 10.0%, the US market was up 8.9%, International markets were up 14.9%, the Emerging markets were up 6.5%, the REIT market was up 13.1% and the preferred market was up 4.6%. (Reuters Nov 30th, 2020)¹.

For the year-to-date the bond market was up 8.1%, the Canadian market was up 3.8%, the US market was up 12.2%, International markets were up 2.6%, the Emerging markets were up 12.6%, the REIT market was down 12.7% and the preferred market was up 2.3%. (Reuters Nov 30th, 2020)¹.

Have a great month and let us know if there is anything we can do for you,

- Meir





Meir J. Rotenberg, MBA, CFA®
Vice President & Investment Advisor
meir.rotenberg@td.com

Adam D. Shona, B.Comm
Associate Investment Advisor
T: 416 512 7645
adam.shona@td.com

Nelson Gordon
Client Service Associate
T: 416 512 6813
nelson.gordon@td.com

TD Wealth Private Investment Advice

5140 Yonge Street, Suite 1600
North York, Ontario M2N 6L7

Tel: 416 512 6689

Fax: 416 512 6224

Cell: 416 602 1614

Toll: 800 382 4964

TD Wealth |



¹ Indexes shown

Bonds FTSE Canada Universe Bond Index

Canadian Equity - S&P/TSX 60 Index

US Equity - S&P 500

International - MSCI EAFE Index.

Emerging Markets - MSCI Emerging Markets Index

Real Estate - Dow Jones® Global Real Estate Index

S&P/TSX Preferred Share Index

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