



## Important Topic: Charitable Giving Up Close

If you are making charitable donations of over \$1,000 please think of us first! We can increase the tax efficiency of such donations and help you save money.

### 1. Donate Appreciated Securities & Avoid Capital Gains Tax

Instead of donating \$1,000 of cash to a charity, donate \$1,000 worth of securities that have appreciated, and use the \$1,000 of cash to repurchase what was donated.

In this case, you receive the same \$1,000 charitable donation receipt as if you had given cash, your portfolio remains unchanged, and the tax on the capital gain of the donated security is eliminated.

Example: If you donate a share with an adjusted cost base (ACB) of \$1 and a current market value of \$101:

1. You will receive a donation receipt for \$101, and
2. You will avoid the tax on the \$100 capital gain.

In Ontario, at the highest income tax bracket, this means that you save about 44% of the donation value through the charitable donation credit and you also save approximately 25% from avoiding the capital gains tax.

In this example, your \$101 donation effectively costs you only \$31 after tax savings.

### 2. Timing the Use of Donation Tax Credits

The year of donation does not need to be the year that one uses the donation for a tax credit.

One's donation credit need not be used immediately but may be carried forward to offset taxes when one is in a higher income tax bracket.

This is particularly helpful if you will have a year with unusually high income (e.g., a business sale, large bonus, or property disposition).

This is worth discussing with your accountant.

### 3. Donations from Corporate Accounts – Three Advantages

If you donate publicly traded securities from a corporation there are three savings:



1. The corporation receives a donation receipt for the full fair market value.
2. The corporation avoids paying capital gains tax on the donated securities.
3. The capital gain is added to the Capital Dividend Account (CDA), allowing for future tax-free dividends to shareholders.

Example: Donate a share with an ACB of \$1 and a current value of \$101.

1. The corporation receives a \$101 donation receipt, and
2. The corporation avoids paying any tax on the \$100 capital gain, and
3. The \$100 gain is added to the CDA, which can later be distributed to shareholders tax-free.

In this example, at the highest tax rate, your \$101 donation effectively costs you only \$16 making corporate securities donations a highly tax-efficient giving strategy.

#### **4. Estate Planning – Optimize Donation Receipts**

If one postpones large charitable donations in one's estate, they can sometimes generate more tax credits than can be used on your final return. The tax credits would then go unused.

To avoid this, it may be more efficient to structure annual giving during your lifetime, ensuring credits are fully used and taxes are minimized overall.

#### **5. Donor Advised Funds (DAFs)**

DAFs function like one's private charitable foundation, but without much of the cost and complexity.

Benefits include:

1. Making one donation and distributing to multiple charities,
2. Donating securities easily to one destination,
3. Receiving a single consolidated tax receipt,

This can also help with optimizing the use of the charitable tax credits (#2).

#### **6. Structured Flow-Through Share Donations**

For donations over \$50,000, special flow-through share structures can reduce the after-tax cost of giving to as little as 10% of the total gift. While this works best under specific conditions, many clients qualify. Please let us know if this strategy interests you.

These are just some of the ways we can help you maximize the tax efficiency of your charitable giving.

Please consult with us before making large donations..

## Market Update: August 2025 – New Highs

Markets rose again in August, with the S&P 500 and TSX hitting new all-time highs. The past four months have seen impressive increases across almost all markets, producing attractive Year-to-Date returns.

The key, as always, has been earnings. Companies continue to report increased and strong earnings. As long as companies can maintain these levels of profitability the markets can continue to rise. According to Factset the blended earnings growth rate of the S&P500 for the second quarter (Apr – Jun) now stands at 6.5%. This is impressive and above last month's 5.6% and the 4.9% expected.

In addition, the market has been waiting for the US Federal Reserve (and the Bank of Canada) to lower interest rates. It now appears that they are prepared to do so. This could of course change, but for the time being this expectation is also driving markets.

I have had several conversations with clients who cannot believe that markets continue to rise, convinced that Trump, his antics and his tariffs, should instead trigger a downturn. It is important to always remember that while the President of US is a powerful individual the US economy is even more powerful.

A President's antics, behavior, treatment of friends or foes (perceived or real), statements, tweets, and even morality can have little to no effect on the economy or markets.

They may fundamentally change a culture, especially an impressionable one, but this is not the economy. They may also have a tremendous emotional impact on people, but this rarely translates into an economic impact.

What does matter is action. A President (or Governor, Prime Minister, Premier) can either support an economy or set up stumbling blocks. For the most part Trump's policies are pro-business, pro-investment, and pro-US.

The glaring exception is Tariffs. But using them as a threat to get other nations to change their ways is not. So, the key will be whether the tariffs are soon removed (postponed) or whether they will remain. Any tariff is a negative for the economy and their effect must be monitored.

There is of course much to criticize and many unknowns. The negative effects 5 to 10 years from now resulting from the President's actions may be significant, but for now, the economy is being supported.

Canada, on the other hand, has not been particularly supportive of its economy for quite some time. We await Carney's actions.

Regardless, we continue to believe that the economy will push forward. As long as earnings continue to grow, consumers continue to spend, wages remain strong, and jobs are available, we do not expect markets to fall any further than usual and believe the odds remain in favour of attractive gains.

We remain cautious about the short term and positive and optimistic about the medium, and long term. Most importantly, we are confident that working together we are able to meet your, our client’s, objectives. At the end of the day this is all that truly matters.

Index	Month	Year to date
Bonds FTSE Canada Universe Bond Index - CAD	0.50%	1.00%
Canadian Equity - S&P/TSX 60 Index - CAD	4.70%	16.50%
US Equity – S&P 500 - CAD	1.80%	9.40%
International – MSCI EAFE Index - USD	4.50%	23.10%
Global Small Companies - CAD	4.50%	9.50%
Emerging Markets - MSCI Emerging Markets Index - CAD	1.60%	14.70%
Real Estate - Dow Jones® Global Real Estate Index - USD	5.10%	8.40%
S&P/TSX Preferred Share Index - CAD	0.50%	11.30%

Have a great month and let us know if there is anything we can do for you,  
Meir & Adam & Nelson & Jon







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