Summary of

Speaker Series: CFUW A/N General Meeting, February 23, 2021

"Optimize Your Charitable Giving"

Speaker: Michael Connon, B.Sc., CFP® Certification in Estate Planning and Trust Strategies

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CFUW A/N Charitable Trust member, Glenna Stelzer, warmly welcomed Michael Connon, with whom she has worked, and introduced him to our members.

Michael began his presentation about "Optimizing Your Charitable Giving" by posing the following question: What is <u>the</u> biggest charity? The answer is the Government of Canada. The top marginal tax rate in Ontario is 53.53%. Much of your charitable giving might occur on your final tax return when you die. Otherwise, any employment and self-employment income in Ontario over $220,000 for the 2020 tax year will be taxed at 53.53%.

Michael showed us a segmented pie chart illustrating how $1.00 is allocated by our federal government and asked the question: Would you donate your money this way?

Instead, you might want to follow the lead of Bill Gates and Michael's hero, Warren Buffet, who said: "Parents should leave their children enough money so that they would feel they could do anything … *but not so much that they could do nothing."* Both of those men pledged to give half of their fortunes to charity.

Next, Michael showed us how donations actually work assuming someone dies with an estate valued at $1,000,000. The first scenario left the entire estate to the heirs of the deceased. In that case, the heirs received $500,000 and the government received $500,000. In the second scenario with the same $1,000,000, the deceased left $100,000 to a charity and $444,000 to the heirs. In this case, the government received only $456,000. The value of your combined gift to your heirs and to charity is $544,000. You have optimized your gift by $44,000.

It is clear from this example that you are reducing the gift to both your heirs and the government. Therefore, you need to believe in the work that the charity is doing and want to support that work.

Michael outlined six methods you could use to donate money to a charity and then drilled down into each method as we will do in this summary.

1. Donate cash while alive
   This is the simplest way to support a charity. On a gift of $100,000, you would save about 40 - 44%.

2. Leave money in Will
   * You can give a $ amount or a %.
   * You can split the amount between charities by %.
   * This gift can be claimed in the terminal tax return or

* It can be created by the estate in the five years following your demise.
* Be careful with gifts in small amounts given by %. It's better to leave $$ instead because, if you leave a %, the government has to audit the entire estate which can unnecessarily complicate matters.

3. Gift with RRSP (RRIF, LIF) and TFSA
   * Very easy to donate through these registered plans!
   * With a RRSP, RRIF or LIF, use the multiple beneficiaries form. Form is easy to obtain from your financial advisor. Specify charities by %. (Examples: CFUW A/N CT, Sick Kids, Princess Margaret Hospital and Heart & Stroke: each 25%. Or Charity 1 and Charity 2: each 50%)
   * This choice will offset most of the tax bill that is created by the RRSP.
   * TFSA is tax free upon death plus the proceeds are going to a charity.
   * **Both RRSP (RRIF, LIF) and TFSA methods of donating avoid Probate, which is 1.5% of assets in Ontario.**

4. Gift of shares
   Scenario: Betty has corporate shares valued at $100,000 at today's market price. They have a $24,000 capital gain since she acquired them. She has two options for giving them to charity.
   Option 1. She can sell shares and donate $100,000 cash. She will have a $44,000 tax credit. **But** she still has to pay $24,000 in capital gains tax.
   Option 2. She can give the shares to the charity. The charity can sell them immediately and does not have to pay the capital gains tax. And Betty has a $44,000 tax credit and **no** capital gains tax. Betty saves $24,000 in capital gains tax by selecting option 2.

5. Gift of an insurance policy
   * You can fund an insurance policy over a number of years and name a charity as the beneficiary. **The proceeds of an insurance policy are tax free and probate free.**

6. Create a Charitable Trust
   * You can donate cash or shares to the trust and receive a tax receipt at the time of the gift.
   *** Once you put the money into the Trust, you cannot take it out except to give it to a charity.**
   * You decide the time and the amount of funds to disburse to charity or multiple charities (such as CFUW A/N Charitable Trust, Heart and Stroke, Cancer Research, etc.)
   * You can change the charities and the amounts.
   * The charities and amounts can be changed or adjusted after you pass away.
   * This Trust can continue into the future after you pass away.

In conclusion, Michael Connon's presentation focused on six ways you can optimize your charitable giving. It was based on Canadian tax laws as of February 23, 2021. The examples used were for illustration purposes only and were not intended as recommendations. Each person should seek professional financial advice before making a decision to make certain it is the best option for their particular situation.

CFUW A/N member, Susan Lennard, graciously thanked Michael for providing the foregoing information to our members and gave him a glowing personal endorsement.

Michael Connon can be reached at 905-771-5200 or at tmfg@assante.com. He would be happy to answer your questions.

Summary written by Delores Ritchie for the CFUW A/N Program Committee

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