



**SOS CHILDREN'S  
VILLAGES  
CANADA**

## Tax-Effective Donations of Public Securities

The gift of securities, thanks to changes to tax laws in recent years, is a wonderful way to give to the charity such as SOS Children's Villages while increasing your tax advantage.

There are a number of publicly-traded securities that qualify. The most common types are appreciated and depreciated stocks and trust units, but it is possible to donate bonds, futures and options, and shares or units in mutual funds and flow-thru shares. The incentive also applies to gifts of public securities obtained through employee stock options.

When you donate appreciated public securities to SOS Children's Villages Canada you receive two tax savings:

1. A tax credit that is typically equal to the highest marginal tax rate
2. No capital gains tax on the disposition.

Combined these savings make appreciated securities the most tax-effective way to donate. The following table compares the tax consequences of donating cash proceeds of sold securities versus donating appreciated securities in-kind. The marginal tax and tax credit rates are assumed to be 45% for illustration purposes.

	<b>Sell Security &amp; Donate Cash</b>	<b>Donate Appreciated</b>
<b>Value of security/donation</b>	\$50,000	\$50,000
<b>Cost of security</b>	\$25,000	\$25,000
<b>Taxable capital gain @ 50%</b>	\$12,500	\$0
<b>Tax on gain @45%</b>	\$5,625	\$0
<b>Tax Credit @ 45%</b>	\$22,500	\$22,500
<b>Net tax savings</b>	\$16,875	\$28,125

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Although gifts of appreciated securities are more common, there is also beneficial tax treatment for donating securities at a loss.

1. A tax receipt that produces a tax credit of up to 50% that can be claimed against up to 75% of net annual income.
2. A capital loss may be claimed.

Donating at a loss is similar to tax-loss selling. Tax-loss selling occurs when you want to trigger a loss to offset your capital gains and reduce your income tax bill. There are specific rules that govern tax-loss selling of securities, and some apply to donations of depreciated securities while others do not.

A donation of a depreciated public security is a tax-effective way to support your favourite charity, such as SOS Children's Villages Canada, and rebalance your portfolio, particularly in periods of market decline.

These tax savings may increase the amount you can afford to give, or simply reduce the out-of-pocket expense of your gift.

Donations of public securities must be transferred "in-kind" to the charity. Typically the security is transferred electronically to the brokerage account of SOS Children's Villages. Your tax receipt will be based on the closing price of the security on the day of receipt. SOS Children's Villages sells all securities on the day of receipt to ensure the value of the gift is immediately realized for its mission.

If you would like more information, please see the contact details below for Wealth Advisor Mohit Vikrant.

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