Lutheran Foundation Canada
REFLECTING GOD'S GRACE

Planned Giving Bulletin

Gifts of Publicly Traded Securities

Gifts of publicly traded securities are an attractive option for planned giving. Generous tax incentives apply to securities that have increased in value (both shares and mutual funds) when they are donated in-kind to a registered charity. Normally, securities that increase in value are subject to capital gains tax when they are sold. However, if the securities are donated (transferred) 'in-kind' to the charity (rather than selling them and donating the cash), the capital gains tax is avoided.

Why a Gift of Publicly Traded Securities

- Pay no income tax on the realized gains
- Enables a larger gift to charity and therefore a larger charitable receipt to the donor
- Offsets other tax liabilities with the resulting tax credit

Donor	→ ←	Charity
Transfers shares to the charity either while living or through their Will	Donor or the estate receives donation receipt for Fair Market Value of the shares and no capital gains tax	Charity immediately sells the shares and receives 100% of the proceeds without capital gains tax

Transferring Securities to Lutheran Foundation Canada

The Foundation has made it easy for a donor to transfer their securities at no cost to the donor. We provide the necessary forms, arrange to sell the securities, issue the receipts and transfer the proceeds to the donor's designated recipients. Fair Market Value of the securities is determined by their closing market price on the day we receive them into our brokerage account. Once received, the securities are sold as soon as possible, and the proceeds disbursed as per the donor. There may be a difference between the disbursed amount and receipted amount due to the timing of the transactions and the fluctuation in the securities value.

Gifts of Publicly Traded Securities . . . continued

Rules to Qualify for Special Tax Treatment

For securities to qualify for favorable tax treatment they must:

- Be publicly traded shares listed on an approved exchange or
- Be units of a Mutual Fund or Segregated Fund from an insurance company
- Have appreciated in value
- Be donated in kind (in specie) directly to the charity and not sold first by the donor

If the securities are sold first, the owner is responsible for the capital gains tax.

Example

Fred Kind wants to donate to Canadian Lutheran Mission Society. He owns some publicly traded securities that have appreciated significantly in value. Below is a comparison between selling the shares and donating the cash, or transferring the shares to the charity. The example assumes the securities were purchased for $5,000 and are worth $20,000 today. Due to other assets that qualify as income by the CRA, Fred's tax rate is 45%.

	Sell shares and donate cash	Donate shares directly
Purchase price of securities	$5,000	$5,000
Current value of securities	$20,000	$20,000
Capital gain	$15,000	$15,000
Taxable portion capital gain	$7,500	$0
Net tax payable (@ 45%)	$3,375	$0
Tax credit of donation	$9,000	$9,000
Tax credit minus tax payable	$5,625	$9,000
Benefit to charity	$20,000	$20,000
Sum Benefit (donor and charity)	$25,625	$29,000

As you can see, there is greater total benefit by transferring the shares rather than selling them first. Many individuals also choose to donate shares adding to their total annual giving, eliminating capital gains, and increasing their charitable tax credit. If you have publicly traded securities within your estate, many Wills include instructions for this in-kind transfer.