

Charitable Giving - Timing and Tax Summary

The following information is provided as a summary of how the timing of various types of gifts can impact the tax credit generated. For more detailed information please contact Lutheran Foundation Canada. When considering the combined provincial and federal charitable tax credits generated from gifts to registered charities, generally speaking, the tax credit is usually higher than the marginal tax rate of the taxpayer, regardless of taxpayer's province, unless you are in the highest tax bracket. Although the overall tax credit may be the same for various assets, there are a number of other issues which determine the best asset to donate, and when it should be gifted. Having an understanding of these differences will help you better structure your gift to maximize its benefit to both you and the charity.

Not surprisingly, the timing of your gift usually determines when the tax savings takes place, and therefore how much tax credit may be generated. For lifetime gifts, the maximum donation amount a taxpayer can claim on their tax return is 75% of their annual NET income, with excess amounts carried forward a period of 5 years. For estate gifts, the claim amount is 100% of your annual NET income in your year of death and for the year prior to your death (refiling is needed). It is important to consider all aspects of tax planning when it comes to charitable giving, as it may be beneficial to provide some gifts now and some gift from within your estate.

Gift Type	Gift Timing	Is Gift Revocable?	Income to donor during lifetime?	Is gift subject to probate?	When is tax credit issued?	Who gets the tax credit	Advantage to donor	When can the ministry use the gift?
Cash	During lifetime	No	No	No	Now	Living Donor	Reduces annual tax payable	Immediately
Appreciated Securities (given in-kind)	During lifetime	No	No	No, unless gifted through a will	Now (plus no taxes paid on capital gains)	Living Donor	No capital gains and usually generates a higher tax credit than tax rate	Immediately
Appreciated Securities in your Will	Year of death	No	Yes if receiving dividends	Yes	On your final tax return	Estate	No capital gains on donated shares, plus can use shares to cover charitable bequests	After your death
Gift of RRSP/RRIF outside estate	Year of death	Yes (by changing the beneficiary clause)	Yes (property is under the control of the donor until death)	No, not if beneficiary named	On your final tax return	Estate	RRSP/RRIF savings are usually large, so donation eliminates the large tax bill incurred	After your death
Donate RRSP/RRIF in Will	Year of death	Yes (by changing the beneficiary clause)	Yes (property is under the control of the donor until death)	Yes, if named beneficiary is "Estate"	On your final tax return	Estate	Offsets tax burden and allows fair distribution of assets	After your death

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Outright gift of RRSP portfolio	During lifetime	No	No	No	Now	Living Donor	Can use tax credit now, Sees benefit to ministry	Immediately
Insurance policy (ministry is owner and beneficiary)	Year of death	No	No	No	Now for FMV, plus annually for the annual premiums you must continue to pay	Living Donor (no estate tax credit on death)	Smaller annual payments translate into a much larger future gift	After your death
Insurance policy (you are the owner, ministry is beneficiary)	Year of death	Yes (by changing the beneficiary name)	Yes (if you have a cash value in the policy)	No	On your final tax return for the amount of the death benefit	Estate	Retain ownership and smaller annual payments translate into a much larger future gift	After your death
Charitable gift annuity	Year of death	No	Yes (mostly or entirely tax free)	No	Now (for minimum 20% of capital)	Living Donor	Stable income with a significant gift on death	After your death
Charitable Remainder trust	Year of death	No	Yes	No	Now (for future value of Remainder Trust)	Living Donor	Tax credit plus income from the trust for life	After your death
Gift of residual interest	During lifetime but keep ownership	No	Yes (retain use of the item or property)	No	Now	Living Donor	Use of property with no change in lifestyle	After your death
Endowment fund	During lifetime or year of death	No	No	If in the Will	Now or at death if through Will	Living Donor or Estate	Creates stable annual source of income for ministry	After your death