

Increasing Your Legacy Today and Saving Taxes: Donating Publicly Traded Securities

As an active member of St. Paul's, your legacy is ongoing. All your contributions of service, skills, relationships and donations contribute towards this important gift supporting the ministry of St. Paul's.

If you hold investments including stocks or mutual funds, you may wish to consider a different approach to donations which could increase your gift while reducing your taxes. Gifts of stocks or mutual funds are a simple and efficient way to make a substantial gift to the church for its use now, while at the same time decreasing your out-of-pocket expense. Since gifts of stocks or mutual funds come from assets rather than income, they receive a more favourable tax treatment.

If you sell stocks or mutual funds, you are taxed on 50% of the capital gains. However, if you gift stock or mutual funds directly to charity, you **pay no tax on the capital gains** while also receiving a donation tax receipt for the full market value of the stock or mutual fund. This means that the gifting of securities which have appreciated in value is a much more tax-efficient way to give to the church than selling the securities yourself and then donating the cash.

It is also important to consider that upon your passing, all your investments (in a taxable account) will be deemed to have been sold (unless transferred to a spouse) and 50% of the capital gains will be taxable to your estate. As such, gifts of appreciated securities during your lifetime may form part of your estate plan.

Let's consider an example:

Scenario: Gift of Appreciated Securities*

	Sell Shares and Donate Cash	Donate Shares Directly
Current value of shares	\$10,000	\$10,000
Amount paid for shares	\$5000	\$5000
Capital Gains	\$5000 ((\$10,000 current price – \$5000 purchase price)	\$5000 ((\$10,000 current price – \$5000 purchase price)
Tax on Capital Gains	\$1337.50 ((\$5000 capital gains x 50% taxable gains x 53.5%**)	\$0
Donation Tax Credit	\$5040 ((\$10,000 donation x 50.4%**)	\$5040 ((\$10,000 donation x 50.4%**)
Net Cost of Donation	\$6297.50 ((\$10,000 donation + \$1337.50 capital gains – \$5040 tax credit)	\$4960 ((\$10,000 donation – \$5040 tax credit)
Total Tax Savings from Donation	\$5040	\$6337.50 ((\$5040 + \$1337.50 on capital gains)

*Scenario for illustrative purposes only

** Assumes donation made in Ontario at top marginal tax rate of 53.5% and top donation credit rate of 50.4%

Whichever way you choose to contribute to St. Paul's ministry, your gifts are part of your ongoing legacy. Your financial contributions are a very personal matter. This approach may be appropriate and benefit you through a reduction in taxes.

For more information on donating appreciated securities, please talk to your Financial Advisor, Lawyer, or other trusted person for professional advice. Or, if you prefer, please contact me (Melissa Clark) at melissamclark59@yahoo.ca, or the Stewardship Team at stewardship@stpaulshk.org.

Submitted by Melissa Clark

Editor's Note: Melissa is a member of St. Paul's and has extensive background in financial management. We appreciate her submission as part of the Stewardship Team's ongoing program regarding legacy giving.