

A government gift that encourages giving

By Henry Eygenraam, Executive Director

The 2006 Federal budget, enhanced the incentives for Canadians to donate publicly traded securities [shares or mutual funds] directly to charities by eliminating payment of capital gains tax on such direct gifts.

This creates a great gift mechanism that multiplies the benefits to you and to charities.

The new rules allow you to:

- realize significant profits from the appreciated securities you wish to donate
- pay no income tax on the gains realized
- make a generous gift to charity,
- make use of the excess tax credit generated from this gift to reduce other tax liability.

This is really an example of where **the sum of the parts is greater than the individual parts**. The following chart puts concrete numbers on this concept.

	Sell the shares and donate the cash	Donate the shares directly to charity
Purchase price	\$10,000	\$10,000
Current value	\$50,000	\$50,000
Capital Gain	\$40,000	\$40,000
Taxable Capital Gain @ 50%	\$20,000	\$0
Net Tax Payable @ 45% *	\$9,000	\$0
Tax Credit @ 45% of donation	\$22,500	\$22,500
Value of remaining Tax Credit used to pay other tax liabilities	\$13,500	\$22,500
Benefit to charity	\$50,000	\$50,000
Sum of Benefit	\$63,500	\$72,500

* Tax rates vary from province to province

Choose from these two simple, flexible and convenient ways to give:

An immediate directed gift through CSS

Use Christian Stewardship Services to receive the securities directly. CSS issues the donation receipt, sells the shares and distributes the gift to as many charities as you wish to support.

Create a donor advised fund at CSS

This fund:

1. Allows you the flexibility to give the gift and get the receipts when most beneficial to you,
2. Allows flexible distribution of the gift at your direction; all at once or spread over time,
3. Provides an economical alternative to creating a private foundation,
4. Allows CSS to professionally and confidentially handle the administration, the investment and the distribution of the funds for you.

We would be pleased to work with your financial advisor to facilitate the gift.

Gifts of Appreciated Securities – Testimonials

For several years now I have been using Christian Stewardship Services for making charitable donations. The most tax effective way of doing this is by donating publicly traded shares that have appreciated in value. Normally disposing of such securities attracts capital gains tax but for several years now this capital gains tax has been cut in half if you donate these shares to a registered charity.

In the recent federal budget this method of donating has been made even more attractive by totally eliminating the capital gains tax.

CSS has always been very co-operative and professional by selling the donated shares and transferring the proceeds to the charities that I designated. I then receive a tax deductible receipt for the full amount donated.

Another advantage has been that my stock broker at RBC Dominion Securities has not charged me any commission for transferring my shares to CSS because I donated to my favourite charities.

I understand that until now not many people have been using this method of donating. I certainly will continue using it, especially now under the Conservative tax regime, as long as I have some securities that have appreciated.

John Rozema, CSS Client

New Incentive for Gifts of Publicly Listed Securities

I have yet to meet someone who actually enjoys paying taxes. While much of day to day living simply relies on the benefits which are derived from taxes, most of us (the average Canadian taxpayer) still consider it a good day when we realize a tax break. The very prospect of tax relief in any sort seems to warm our hearts!

Several provisions of the Federal Budget 2006 have the propensity to evoke such a feeling. One of these provisions in particular provides significant opportunity for those Canadians who donate to charities and foundations: the elimination of capital gains for gifts of publicly listed securities to registered charitable organizations or public foundations.

The Christian Reformed Church (CRC) and its ministries rely on the ongoing generosity and faithful gifts of its supporters. While gifts of securities have not traditionally been a major component of the funds received by the CRC, this new tax provision provides an opportunity for donors who are in such a position to enhance their giving or receive additional tax relief for doing so.

The CRC is a founding partner of Christian Stewardship Services (CSS). While the CRC is capable of receiving gifts of securities directly, CSS continues to be the preferred vehicle for facilitating planned giving and estate planning, including the gifts of securities. The CRC relies on the expertise of CSS staff to provide professional advice within the context of a donor's broader estate and planned giving intentions, all the while recognizing that our world, including our financial stewardship, belongs to God. CSS is equipped with the necessary resources (ie brokerage services) and is well positioned to process gifts to multiple beneficiaries.

If you are presently holding appreciated securities, I encourage you to consider making a gift and realizing the positive impacts under the terms of this new tax provision.

Terry Veldboom, Controller
Christian Reformed Church

“Charities Appreciate Your Securities”

a.k.a. “Share & Share Alike”
a.k.a. “Take Stock in (to) Your Charity”

By Ron Knol, Western Canada Representative (Edmonton)

Recently, Mr. Peter Munk (founder & chairman of a very large gold mining company) wrote a cheque for \$37 million as his donation to the Cardiac Centre at Toronto General Hospital. His comment afterwards was “No big deal. Anybody with a bank account can write a cheque”.



Well, as of early June, Mr. Munk may have been able to accomplish more had he donated actual shares of his gold mining company to the hospital which could then be “cashed” in. The latest federal budget has changed the manner in which the “taxman” treats donations of certain types of securities to registered charities such that the “bang for the benevolent buck” is bigger if you give those securities directly rather than giving money from the sale of the securities.

Securities (i.e. stocks or shares in corporations) are one of the assets that attract Capital Gains taxes. These are taxes on the increase in value you’ve gained in your shares. If, back in 1951, you purchased shares in IBM for \$100 and they’re now worth \$1,000,100, you would have a Capital Gain of \$1,000,000. If you were to sell those shares, you would be taxed on ½ of the Capital Gain. Or, if you pass away still owning those shares, your estate would have to pay that tax. So, if you happen to be in the top tax bracket for your province, you (or your estate) would be paying Caesar over \$200,000. Of course, this applies to smaller share gifts as well; simply take off some of the zeroes in the numbers above.

What the new budget changes is that, if you donate specific types of securities (publicly traded shares or mutual funds) to a charity, you will pay NO TAX on the Capital Gain BUT you will still get a charitable receipt from the charity for the value of the gift. In a province like B.C., that means you would get a tax receipt (useable against your other taxable income) for as much as 43% of the value of the

shares you donated. In effect, you give the shares (not the money you receive by selling the shares) and you receive a 43% rebate in the form of a tax credit to use elsewhere in your tax return (on the assumption that you have other taxable income).

The new rules should be carefully considered by you and your tax advisor when planning a gift to Kingdom work. The rules will also affect Estate Planning in that a Will that gives shares (as opposed to the money realized by the sale of those shares by your Executor) will most likely result in a larger “pot” to be shared by all the beneficiaries at the end of the day.

CSS is on the Move!

We have enjoyed sharing space on the third floor of 600 Alden Road with our Landlord, The Evangelical Fellowship of Canada, for eight years, but it’s time to move. When they told us in March that they needed to expand, we had to go looking for a new home – and we found one JUST ONE BLOCK away! During July we will be moving all our files and furniture, and will be established in our new offices at:

**Suite 214A - 500 Alden Road,
Markham, Ontario, L3R 5H5**

We will be operating from there by the end of July. Our telephone, fax numbers and email will all remain unchanged. We will be “open for business” but may take a little longer to reply the week of July 10-14th. Our Regional Representatives will be pleased to help you at this time.



Personal Stewardship Series for School/Church Education

By Rick de Graaf, Stewardship Education Co-ordinator

Announcing a new resource that we're working on – a seven part stewardship education series designed for students (grade 7-9). This new series is being developed under a partnership of CSS's *Growing in Giving*, Stewardship Education Programme, the Ontario Alliance of Christian Schools (OACS) and the Foundation of Niagara Christian Schools. Presently, it is being tested in selected Christian schools and when completed, the series will be available for schools and churches to purchase from OACS.

This resource is designed to introduce the students to stewardship and will ask them to make a 'covenant' to develop and use all their God-given gifts of time, talents, the trees (environment) and treasures (money and possessions). It covers the following themes:

1. Who Am I?
2. How Does God Enable Me?
3. What Should I Do Using My Time?
4. What Should I Do Using My Talents?
5. What Should I Do Using My Trees?
6. What Should I Do Using My Treasures?
7. How Should I Respond As a Steward of All God's Gifts to Me?

Early experiences in schools with the first versions (all grade 8 level) have been very positive. When students were asked if they would recommend the series to their peers – better than 90% said yes! And our new improved seven part version allows more time for small group work and interaction.

So stay tuned to CSS for developments! We'll let you know when this resource is available, what it costs and how to get it!

Profile a Partner

The Christian Reformed Church is much more than the individual churches. The denominational ministries it supports include a wide group of programmes:

Back To God Hour

Calvin College

Calvin Theological Seminary

CRC Canadian Ministries –

Urban Aboriginal Ministries,

Committee for Contact with the Government.

CRC Ministry Programs –

Abuse Prevention, Chaplaincy, Denominational Services, Disability Concerns, Justice & Hunger

Awareness, Pastor Church Relations, Race

Relations, ServiceLink Canada

CRC Foundation

CRC Publications

Christian Reformed Home Missions

Christian Reformed World Missions

Christian Reformed World Relief Committee

Advancing Stewardship



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