

Planning for major life transitions

Charitable giving and legacy planning

Strategic charitable giving transcends traditional donations by emphasizing thoughtful planning, clear objectives and measurable impact. Depending on the individual's goals and objectives, there are a number of ways to go about fulfilling charitable intentions.

Why people donate

Desire to make a difference: People donate to create a lasting impact, whether it's to help fund medical research, alleviate global poverty, support education, etc. Giving is often driven by personal values, life experience or a sense of responsibility to the next generation. There are many ways to achieve this, including direct donations, donor-advised funds, estate donations.

Desire to create a legacy: Parents may want to provide a framework for future generations and to help guide them with principles that help shape the family's identity.

Tax savings: Charitable giving provides a number of tax-saving opportunities and estate planning benefits. It is important to work with an accountant in order to navigate what would work best for the donor.

Social acceptance and relationship building: Engaged donors often build networks with like-minded individuals. Regular engagement allows donors to develop a stronger commitment to the causes they support.

Estate planning: Donors may choose to designate a portion of their estate to causes of their choice. This is becoming more common, especially with some donor's not having direct heirs.

Donor-advised funds

A donor-advised fund (DAF) is a philanthropic vehicle that allows a person to make a charitable contribution and receive an immediate tax receipt for the donation. The individual can then recommend grants to their favourite charities over time.

Tax savings

A charitable donation can dramatically reduce a person's tax liability. A gift of \$100,000 or more, may reduce a tax bill by about \$45,000 (actual savings differ by province).

This may be the simplest way to significantly save on taxes. Spouses are also able to share the credit to ensure that the household is able to maximize the benefit of the donation tax credit. If the credit cannot be fully used in the year of the donation, it can be carried forward up to five years.



The funds are invested, and the donor can decide the timing and amount to be distributed to the causes they care about. This can simplify charitable giving, provide flexibility and help a person manage their philanthropic impact strategically.

Who would benefit from a DAF?

1. Individuals receiving a large one-time asset transfer.
2. Individuals who already give to charities but are looking to simplify their charitable giving.
3. Individuals looking for a long-term, flexible and strategic approach to charitable giving.
4. Individuals seeking to set up a private foundation but cannot afford the time or money.
5. Individuals carrying unrealized capital gains they would like to minimize.

The Mackenzie Charitable Giving Program

The Mackenzie Charitable Giving Program was established to promote philanthropy by offering Canadians an easy and convenient way to manage their ongoing charitable giving and potentially leave a lasting legacy. It offers the following benefits:

1. **Tax efficiency:** donors receive a tax receipt for their donation, which they can apply against other income tax liabilities.
2. **Low-cost:** compared to a private foundation, the Mackenzie Charitable Giving Program is an inexpensive way to manage a sizeable gift.
3. **Flexibility:** the donor may recommend grants to any number of eligible charities or other institutions each year.
4. **Convenience:** the program simplifies the donor's charitable giving experience by handling administrative tasks for each account.
5. **Lasting legacy:** clients can name their account to honour a family member or cause. When a grant is made, the account's name is cited as the donor unless they choose to remain anonymous.

Charitable giving and legacy planning checklist

Define goals and objectives

Reflect on personal values, life experiences and family principles that drive the individual's giving.
Identify the causes one can be passionate about (such as medical research, global poverty, education).
Determine the desirable impact (immediate, long-term, local, global).

Choose the right giving method

Research and select specific charities or organizations.
Make a one-time or recurring donation.
For longer-term giving, speak with an advisor about the merit of a donor-advised fund.

Maximize tax savings

Consult with an accountant to understand potential tax benefits.
Determine the optimal amount to donate for maximum tax savings.
Share the tax credit with the spouse to maximize household benefits.
Carry forward unused tax credits for up to five years.



Create a legacy

- Discuss the charitable intentions with family members.
- Consider establishing a legacy fund.
- Document values and principles to guide future generations.

Consider:

- Designating a portion of the estate to charitable causes in the will or trust.
- Naming a charity as a beneficiary of the retirement accounts or life insurance policies.

Monitor and measure impact

- Review charitable giving plan annually.
- Adjust contributions and methods as the financial situation or priorities change.
- Assess the effectiveness of the donations in achieving your goals.
- Ensure that the estate planning documents are in line with one's current goals and values.

By following these steps, an individual can create a strategic and effective charitable giving and legacy plan that aligns with their personal values and financial goals.

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