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give wisely

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As director of Marketing and Communications for University Advancement, the fundraising arm of Simon Fraser University in Burnaby, British Columbia, Erica Branda has a good understanding of the benefits of philanthropy. But it wasn't until her mother-in-law died last year that she fully grasped the value of planned giving.

Ms. Branda's mother-in-law, Barbara Ferrier, was a professor at McMaster University in Hamilton, Ontario, for more than 35 years and director of the arts and science program. She left her estate to her two sons. She had an insurance policy to cover capital gains tax, but no planned giving component in her will.

"My mother-in-law loved McMaster, and it would have given her a lot of pleasure to have left a legacy to the university," says Ms. Branda. "Had she sought the advice of an independent estate planner, I'm sure she would have structured her will differently. She would have been able to leave a bequest to the university and provide for her sons."

Ms. Branda says her mother-in-law's experience illustrates the importance of not depending on only one advisor for all aspects of estate planning.

Susan Mullin, chair of the Canadian Government Relations Committee of the Association of Fundraising Professionals and vice president of development at York University Foundation in Toronto, says many people who are modest givers don't realize how much more they could contribute through planned giving.

"By planning ahead and leaving bequests to charities of their choice, there are real opportunities for people to have an impact far beyond what they ever thought possible in their lifetimes," says Ms. Mullin.

The growth in popularity of planned giving is compelling charities to become more sophisticated in their understanding not only of financial planning and wealth management, but also of donors' intentions.

Community Foundations of Canada (CFC) president

and CEO Monica Patten says donors who have gone to the trouble to plan their giving want to know that their gifts will have an impact in the community.

"For community foundations, that means being accountable not only for how the gift is invested, but also what its impact is on the community. We have to ask if we are addressing the issues that really matter in our communities and if we are working collaboratively with other philanthropic organizations to achieve common goals," says Ms. Patten.

As the oldest community foundation in Canada, the Winnipeg Foundation is well versed in planned giving strategies. CEO Rick Frost says his organization is seeing a rise in what he calls "collective activity."

"For example, families are getting together and setting up inter-generational planned giving programs, and instead of simply leaving us money in a will, people are creating funds while they are still living so that they can see the impact of

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—Susan Mullin,
Chair, Canadian Government
Relations Committee,
Association of Fundraising
Professionals

their gift," he says.

A challenge facing charities, notes Ms. Mullin, is their need to communicate the opportunities to potential donors by engaging them early and often.

"Many charities are governed by volunteer boards that are reluctant to invest the resources for outreach that may not show significant returns for many years. It's an understandable dilemma, but should not become an obstacle to the development of long-term fundraising strategies," says Ms. Mullin.

Ken Ramsay, president and CEO of Toronto-based Legacy Leaders Inc., a leading provider of gift planning products and services for non-profit organizations throughout North America, says there is massive potential to grow planned giving in Canada.

"Research has shown that a third to half the population has a propensity to make a gift of assets to a charity, and with the value of the average bequest in Canada currently around \$30,000, we are looking at hundreds of millions, if not bil-

ions, of dollars in potential gifts."

The challenge, says Mr. Ramsay, is to mobilize the potential. "Between five and six per cent of people currently die with a charity in their wills, but as many as 15 per cent of those we speak to say they would like to do so in future – and the research indicates even higher potential numbers. We need to convert the intention into action."

Lois Flemming, director of Major Gifts and Planned Giving for The Salvation Army in Canada, knows all about converting intentions into actions when it comes to fundraising. As the largest non-governmental direct provider of social services in the country, The Salvation Army needs to raise 29 per cent of its \$500 million annual operating budget through public donations.

"Planned giving makes up 30 to 35 per cent of that total, so it's extremely important to the success of our fundraising efforts and our ability to provide practical help and hope to vulnerable individuals and families," says Ms. Flemming. ■

Donor Advised Funds

New vehicle eases burden, helps donors direct gifts

While private foundations have long been perceived as a preserve of the mega-rich, there is a vehicle available to philanthropists with relatively modest means who want similar active involvement in how their donations are invested in the community.

Donor advised funds are gaining popularity across Canada because they are simple to set up, allow donors to

be actively involved in the causes they support, and make a real difference in the communities they benefit.

Typically, donor advised funds are established through local community foundations, which have the knowledge of their communities and grant-making expertise to assist donors in addition to taking on the administrative and legal process.

Barbara McInnes, presi-

dent and CEO of the Community Foundation of Ottawa, says a donor advised fund is far easier and faster to establish than a private foundation and entails no startup costs.

"Starting up a private foundation requires the donor to create a new organization, establish a board of trustees, obtain registered charitable status from Canada Revenue

See **Donor Fund** PG4

Capital Gains Tax Elimination

Tax changes encourage planned giving

The elimination by the federal government last year of capital gains tax on appreciated securities donated to registered charities has made this type of planned giving even more attractive from a tax perspective.

And with Canadians sitting on stock with potential capital gains of nearly one trillion dollars at the end of 2006 according to Statistics Canada, the upside for both taxpayers and

charities appears to be significant.

However, Jamie Golombek, vice-president Taxation and Estate Planning at AIM Tri-mark Investments in Toronto, says many donors are still overlooking appreciated securities as a vehicle for donations to charities.

"I still see tax returns that show cash donations to registered charities and the sale of appreciated securities on which

capital gains tax is being paid. Some people are just not putting two and two together," he says.

Nevertheless, Mr. Golombek says the elimination of capital gains tax on the donation of appreciated securities to registered charities has had a significant impact on planned giving.

"Most major charities now

See **Tax changes** PG4

INSIDE:

ETHICS IN FUNDRAISING Donors should expect the highest standards, writes PAULETTE MAEHARA, CEO & President, Association of Fundraising Professionals. PG2

COMMUNITY FOUNDATIONS Community foundations play an integral role in a healthy society. PG5

RESEARCH DIVIDENDS Canada's cancer research efforts face funding shortfalls, writes DR. MICHAEL WOSNICK, Executive Director, National Cancer Institute of Canada. PG6

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give wisely

profile



Elizabeth Wolfe,
Chair, Jewish Foundation of Greater Toronto

A secure and steady source of financing is essential to the success of caring organizations. And Elizabeth Wolfe, chair of the Jewish Foundation of Greater Toronto, is working to ensure that security.

The Jewish Foundation's endowment fund serves as a permanent resource to meet the challenges and needs of the Jewish community locally and abroad.

Donors accomplish that through lifetime gifts, deferred giving programs and bequests.

Ms. Wolfe says the foundation's endowment has increased from \$20 million in the early 1990s to \$220 million today.

"Endowment giving makes a clear statement... that you're in for the long term," she says. "It's a different kind of giving."

She attributes the growth of the endowment to people's desire to create a secure future; the confidence the Jewish Foundation instills in its donors; the ability to transfer appreciated securities to a public endowment without capital gains; and people's large capacity to give.

Personal financial needs, estate plan among considerations

Tax planning for giving

Bruce Ball, CA,
Tax Partner, BDO Dunwoody LLP
in Toronto

More and more, the term "planned giving" is referred to in articles and promotional material from charities. But what does it really mean?

Simply put, planned giving means leaving a legacy to charities using a plan that combines gifts made during your lifetime and gifts made as a bequest on your death. Many individuals focus on planned giving as an estate planning exercise, to keep full access to their accumulated wealth before death.

With the generous tax benefits available, most strategies are structured around our income tax rules. However, you should establish your charitable giving goals first and then work with a professional to maximize the tax benefits. Your financial needs and overall estate plan also need to be considered.

The tax benefits are signifi-



cant. In addition to the donation credit that is available (at the individual's top marginal tax rate for gifts over \$200), planned giving strategies can take advantage of the fact a gift of most publicly traded securities will not trigger a taxable capital gain even though the full value of the security will count as a donation. To benefit, your planned giving strategy could be as simple as transferring some of your investments to your favourite charity annually, ensuring that you choose

investments with the most significant accrued gains. If you do want to hold the gifted investment, you could liquidate another investment (preferably without a gain) and repurchase it after the gift is made.

Another popular strategy is a charitable bequest – you can name one or more charities as a beneficiary in your will, and the value of the property transferred counts as a donation for the taxation year in which you pass away and the previous year. When you draft your will, the gift can be expressed in terms of a dollar amount or a percentage of the estate value (if conditions are met). Where you won't be transferring securities to a spouse or common-law partner, you can also structure your charitable bequest to ensure that publicly traded securities are gifted, which will eliminate the gain on the security that would otherwise be taxable on death.

A charitable bequest can also be as simple as naming a charity as the beneficiary of an



PHOTO: ISTOCKPHOTO.COM

Working with a trusted estate advisor or your chartered accountant are sound ways to explore the possibilities of charitable giving.

insurance policy or your RRSP or RRIF. These direct designations will not be subject to probate tax. For RRSPs/RRIFs, the donation credit will offset the tax on the deemed plan income arising on death.

Remember that charitable donations give rise to a non-

refundable tax credit. Therefore, the benefit of a donation will be lost if the credit exceeds tax otherwise payable. Where a large gift on death is planned, it's possible that the donation credit available may not be fully utilized. This problem can generally be avoided by mak-

ing larger gifts during your lifetime and a smaller gift on death.

The government has provided significant tax advantages for planned giving – any tax you save will be passed on to your heirs and the charities you want to benefit. ■

Capital gains tax elimination

Tax changes from PG1

have mechanisms in place to take care of all the administrative aspects of securities donations, and we are hearing reports that tens of millions of dollars in appreciated securities are flowing into registered charities as a result," he says.

In this year's federal budget, the capital gains tax exemption was extended to appreciated securities donated to private foundations, which further broadened the scope of planned giving, says Mr. Golombek.

"There is certainly a growing awareness of the tax benefits of charitable donations," he

says. "I do a lot of public speaking on tax issues, and increasingly I'm asked questions about the tax implications of philanthropy and giving."

Karen Karpuk, principal consultant with Inspired Philanthropy, a Calgary-based consultancy that specializes in planned giving, says the elimi-

nation of capital gains tax on gifts of publicly traded securities was a major win for Canadian philanthropy and a big benefit to taxpaying donors.

"Some people may not know that stock options are also exempt from capital gains, which is all the more significant here in Alberta where the oil and gas booms means many people hold valuable options – and that can mean significant tax benefits if the options are donated to chari-

ty," says Ms. Karpuk.

For example, in Alberta a gift of appreciated stock or options could qualify for a tax credit of 50 per cent of the value of the donation. Ms. Karpuk says people considering a donation of stock or options should seek advice from a financial or tax planner to ensure they receive the maximum benefit.

Lois Flemming, director of Major Gifts and Planned Giving for The Salvation Army in

Canada, says since the elimination of capital gains tax, her organization has seen a sixfold increase in the volume of securities donations and close to a fivefold increase in value.

"We have marketed this option to donors and prospective donors and it's made a dramatic difference to our fundraising efforts. It is a great example of how government policy can make a positive difference to the charitable sector," says Ms. Flemming. ■

Endowment offers customized solution

Donor Fund from PG1

Agency and report regularly. That's not the case with a donor advised fund," she says.

The community foundation staff maintains the fund and is responsible for reporting and administrative functions and the monitoring of grants.

"This is our most popular type of fund and is often used

by individuals, families or corporations as an alternative to establishing a separate foundation," says Ms. McInnes.

To set up a donor advised fund, the donor establishes a named endowment under the umbrella of a community foundation with terms of reference customized to the donor's needs. The donor receives an immediate tax receipt for contributions to the

fund, but retains the right to provide advice and recommendations on grants made from the fund.

Kathleen Weil, president and CEO of the Community Foundation of Greater Montreal, says donors can choose their level of involvement in the fund, which can also vary over time depending on other commitments.

"For example, a donor can

instruct us to provide grants to specific charities on an ongoing basis, or choose different beneficiaries every year, or more frequently. They can also sit down with us to get advice based on our knowledge of the community's needs, or ask other advisors to work with us to determine the best use of their funds," says Ms. Weil.

In December last year, the Community Foundation of Greater Montreal received an anonymous donation of \$24 million to set up a donor advised fund.

"It was a gift from a man who loves Montreal and wanted his contribution to have a real and lasting impact on our city," says Ms. Weil. "When he discovered he could create his own endowment fund through our community foundation, he said he had found an ideal way to fulfil his desire to help the community."

She says the donor was impressed by the fact that his gift would keep on giving to the community long after he was gone. "For many years to come, all kinds of organiza-

tions will still be benefiting from this donor's vision and generosity. It's a gift to our entire city."

The donor is working with the foundation to determine his fund's focus, which includes arts and culture, education, social and humanitarian causes.

"He considered starting his own foundation, but did not want the administrative responsibilities. He liked the fact that his gift would be administered by our foundation and he could still guide his fund over time," says Ms. Weil. ■

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PHOTO: SUPPLIED

Donor advised funds provide the convenience of being maintained and administered by a community foundation while also giving the donor the right to advise and recommend grants made from the fund. Pictured above, Cathedral High School students contribute to neighbourhood beautification projects funded through the Hamilton Community Foundation's Growing Roots...Strengthening Neighbourhoods program.

give wisely

profile



Clarence Patton,
Salvation Army donor

Lifelong Alberta resident Clarence Patton remembers his parents telling him how The Salvation Army worked in the trenches of World War II, bringing comfort and food to soldiers. His parents told him, "Ahead of all others, support The Salvation Army," he says.

During his lifetime, Mr. Patton has witnessed The Sally Ann at work in his community – helping those less fortunate deal with poverty and addiction, and assisting needy children and families.

Mr. Patton has followed through on his parents' wishes and his personal desire to see The Sally Ann continue its good work. In addition to naming The Sally Ann in his will and as a beneficiary of his life insurance policies, the proud grandfather says, "I'm most excited about an endowment fund I've established to assist The Salvation Army to help children. We're giving this heartfelt support because The Sally Ann is a very important part of our community, and they do so much good."

Community Foundations

Local organizations hit home

Community foundations may be the best-kept secret in Canadian philanthropy – but that's not necessarily a good thing. Often overshadowed in the news media by higher profile non-profit organizations such as university and hospital foundations, the community foundation movement sees itself as the glue that holds communities together.

There's no doubt that community foundations have the resources to achieve their aim. Last year, \$271 million in new gifts and good investment returns saw the collective assets of community foundations grow to \$2.7 billion from \$2.3 billion.

This allowed Canada's 155 community foundations to make grants totalling \$137 million. While each community foundation is autonomous and governed by a volunteer board of local leaders, they are linked and supported nationally through Community Foundations of Canada (CFC).

The Vancouver Foundation describes community foundations as a collection of separate funds established by local citizens and held, in perpetuity, to enhance the quality of life in their community. They are public charities, registered with Canada Revenue Agency, which allow individuals, families, businesses, private foundations and not-for-profit organizations, through gifts and bequests, to establish permanent endowments under the

umbrella of one large foundation.

CFC president and CEO, Monica Patten, says community foundations bring together people who care about their communities and who want to see them strengthened through philanthropy.

"Community foundations are 360-degree grant-makers. They are concerned about all aspects of community well-being and therefore offer donors considerable flexibility," says Ms. Patten. "Community foundations know their communities; they are part of the network; they know the priorities and where grants will have the greatest impact."

This is well illustrated in Hamilton, Ontario, where the community foundation has focused much of its efforts on addressing poverty in the city.

Foundation president and CEO Carolyn Milne says an estimated 20 per cent of Hamilton's residents live in poverty, with the number rising to 25 per cent among children and seniors.

The negative impact on the community as a whole convinced the foundation's board to take the unusual step of devoting the majority of its unrestricted fund – which is typically used for grants to a wide range of causes – to combating poverty.

"We've invested \$3 million in a grant-making program to reduce and prevent poverty, and we are committed to

engaging the citizens of Hamilton in the development of solutions," says Ms. Milne.

In addition, a neighbourhood program has focused on Hamilton's four most challenged neighbourhoods. The foundation is working with the communities to identify issues important to them and to help them build the capacity and capabilities to achieve significant social change, adds Ms. Milne.

To measure the overall quality of life in the city, seven years ago Toronto's Community Foundation developed Toronto's Vital Signs, an annual community checkup that gauged the city's vitality and identified significant trends. This year, 11 community foundations will publish Vital Signs reports on October 2, and will assign grades in at least 10 areas critical to quality of life.

Toronto Foundation vice president of Development and Donor Services Judy Pfeifer says Toronto's Vital Signs has been a valuable tool to assess the well-being of the community.

"For example, while Toronto continues to be a prosperous city, Toronto's Vital Signs has documented a slow decline in its health over the past few years. It seems that we have become complacent about addressing serious conditions in the community that could negatively impact our future," says Ms. Pfeifer. ■

Snapshots

Community impacts

Alberta Guide Dog Services

"My life was changed forever," says a 14-year-old Albertan who received a guide dog in July 2006. "Before, my community seemed as wide and frightening as an ocean, and I was afraid to go places on my own." While it costs nearly \$40,000 to produce and train one guide dog, recipients pay only \$1. The Alberta Guide Dog Services says it is its donors who really make miracles happen for blind kids aged 13 to 18.

www.albertaguidedog.com

United Church of Canada

Through The United Church of Canada Foundation, the "community foundation" for the United Church, donors may divide their planned gifts, whether intended for immediate giving or endow-

ments, among a number of organizations. Registered charities beyond the United Church are eligible recipients as well. Seventy-five per cent of foundation donors used appreciated securities last year to support their congregations, enhance the Mission and Service Fund, contribute to other cherished organizations, and build their own personal endowments.

www.unitedchurchfoundation.ca/becomeadonor.html

Toronto Public Library

Devoted Toronto Public Library supporter Sophia Lucyk's generous legacy is sure to touch countless young lives. Her planned gift supports innovative early literacy programs and services at the Toronto Public Library in perpetuity, and will enable the library to

help ensure preschoolers have the critical reading readiness they need to succeed in school and in life. Among other things, her gift will support interactive play environments where kids will develop essential early literacy skills.

www.torontopubliclibrary.ca

Hospice Toronto

When life takes an unimaginable turn, Hospice Toronto is here to help. Donor support is critical to the ability of hospice staff and trained volunteers to provide end-of-life care and support to families affected by terminal illness. This support is provided at no cost to the client through the following programs: Volunteer Services, Kit for Kids, Bereavement Support, Advocacy, Information and Outreach.

hospicetoronto.ca

An environment for giving

A recent surge in the public awareness of ecological issues has the potential to inspire increased donations to environmental protection groups that rely on charitable funding. According to environmentalists, the timing couldn't be more crucial.

Greenpeace Canada spokesperson Jackie Gallagher has been encouraged by rising donations. "We believe this increase in donation income is due to increased public awareness of humans' role in environmental destruction and our responsibility to protect the world we share," she says, noting, "We still have a long way to go and always appreciate all the financial support we can get."

David Love, the executive director of the Conservation Foundation of Greater Toronto, says, "I think legacies present a huge opportunity for the environmental movement, if we do things right."

Mr. Love points to some recent outstanding examples of planned gifts and their impacts, including the \$4.3-million bequest by Roberta Langtry of Toronto to the Nature Conservancy of Canada. "Making a gift in a will is something everyone can do. And some of those will be like Ms. Langtry," he said.

Mary Beth Taylor, director of Planned Giving and Living Planet Circle, World Wildlife Fund-Canada, says, "Without our donors, we couldn't do the work we do. All of our programs – including those addressing forestry, water and marine conservation and global threats like climate change – are supported by private donations."

She says supporting envi-

ronmental causes is an ideal fit for planned giving. "Our work is long-term. The payoff for the planet and future generations is tremendous," she says.

Ms. Gallagher agrees that planned gifts are critical for long-term strategic planning and campaigning, and adds, "Today, people take great care when choosing a non-profit organization or charity to include in their will. Each planned gift Greenpeace receives is a testament to an individual's belief in our mission and ability to effectively

work toward accomplishing our goals."

Mr. Love is optimistic about his environmental group's prospects to continue its good work. He says the demographic with the greatest potential for leaving legacy gifts are the approximately 7.5 million Canadians who have already mailed a donation to Canadian charities. "In a survey, 17 per cent of these donors said they had already left a bequest, and 18 per cent said they would seriously consider leaving a gift in their will," he said. ■

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PERSONAL INVOLVEMENT | When you make a gift of cash, appreciated stock, or other assets to your community foundation, we can establish a charitable fund in your family's name. You receive immediate tax benefits and family members of all ages can then work with our local grantmaking experts to suggest ongoing uses for your fund — targeting the issues you care about most — whether it's health care, kids, the environment or another area.

LASTING CONNECTIONS | Grants are issued to charities in the name of your fund. It's a simple, powerful, and highly personal approach that helps your family members stay connected to the community... and to each other.



Community Foundations of Canada
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To find the community foundation near you, visit www.cfc-fcc.ca