BENEFACTION

Charitable Foundations

Bringing Clients, Charities and Investment Advisors together

Winston Churchill once said "we make a living by what we get, but we make a life by what we give." In today's socially conscious and closely connected world, Churchill's old observation has acquired new relevance.

Canadians are wealthier than ever before, and, whether driven by the desire to make a difference, leave a legacy, or help a new generation build for tomorrow, they are giving that wealth back to their communities – in gifts of their time, knowledge, influence and increasingly, in cold hard cash.

Charitable donations topped $8.4 billion in 2006, an increase of 8.3 per cent from the previous year – due in part to recent changes that allow Canadians to receive a tax credit for the donation of securities to charities without having to pay a capital gains tax on their appreciated value.

All indications are that this trend will continue as the baby boomers grow older. Canada's 4.4 million pensioners already contribute almost 30 per cent of all charitable donations. Their number is expected to almost double by 2026, spurring a corresponding rise in donations, with high net worth individuals leading the way.
Canada's financial services sector has been slow to respond to its clients' growing interest in philanthropy, but that is changing.

More and more investment advisors are starting to see the benefits of bringing charities and wealthy investors together. Clearly, the opportunity exists to do even more.

The opportunity for financial advisors

Not only can advisors extend their relationships with clients by helping them to implement their philanthropy, there is also an opportunity to generate recurring revenue while retaining client's charitable donations under their management.
And, by establishing a relationship with a charity, advisors can benefit from the increase in gifts of securities from their donor clients.

But there is much ground to be made up here. Between 15 and 20 trillion dollars is expected to pass from parents to children between now and the middle of the century, a large percentage of which will end up being directed to philanthropy. This wealth transfer is causing a structural shift in Canada's financial focus from wealth accumulation to management and payout of accumulated wealth.

Gift planning

One of the most popular developments in philanthropy today is gift planning, or planned giving, which designs charitable gifts so that clients realize their philanthropic objectives while maximizing tax and other financial benefits.
Planned giving is usually equated with 'giving later' such as bequests, life insurance policy beneficiary designations,

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charitable remainder trusts, gifts of residual interests, and similar arrangements where the commitment is made now but the funds are not made available to the charity until some future time.

However, planned gifts can be outright as well as deferred. A major gift might consist of appreciated publically listed securities in-kind, privately-owned securities, real estate, or retirement funds. As long as the gift is structured and timed to limit any tax on the capital gain and obtain full benefit of the tax credit, it is a planned gift.

Planned giving has already changed how charities solicit donations. Baby boomers looking to create a legacy or send a strong message to future generations want transparency, accountability, and measuring tools on the specific problem their donation is helping to solve, and charities have responded.

Investment advisors will have to respond too. They will need to increase their knowledge of Canada's charitable sector if they want to add value to their client's holistic and philanthropic leanings.

Philanthropy today

Fortunately, help is at hand for Canada's investment community in navigating our country's sprawling charitable sector. Recent years have witnessed the growth of charitable foundations whose primary job is to connect investors and their advisors with worthy charities though the creation of donor advised funds.

These foundations promote philanthropy by helping Canadians maximize charitable giving, while minimizing their tax burdens. They work with investment advisors to support their clients' philanthropic visions in a streamlined and efficient manner.

Clients investing in donor advised funds can realize many of the financial and personal advantages that come with establishing their own charitable foundation, with significantly less cost and complexity. They are flexible, offer a wide choice of investments and investors can look forward to regular reports on the positive impact of their generosity without having to worry about administrative details.

Investment advisors who work with charitable foundations form deeper, more loyal client relationships, expand their suite of expertise and offerings to high net worth investors interested in philanthropy, experience enhanced asset retention and enjoy a higher, and more positive, community profile.

And charities themselves receive more and more contributions, spread out over time, bringing greater stability and allowing more long-term planning.

Rarely has there been such a winning combination in Canada's long history of investment products. So expect investment advisors to be busier than ever in the next few years supporting the arts, promoting global health or building opportunity for underprivileged kids. Because that's exactly what happens when you help bring charities and well-meaning – and wealthy -- investors together.

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