



UNIVERSITY OF OTTAWA
HEART INSTITUTE
INSTITUT DE CARDIOLOGIE
DE L'UNIVERSITÉ D'OTTAWA

Planned Giving: Appreciated Securities

Donations of listed securities, over cash donations, are particularly attractive because of the tax benefits.

Do you have stocks, bonds, or mutual funds that have increased significantly in value since you purchased them?

If you sell the securities and keep the cash from the sale, you will be taxed on 50 per cent of the capital gain. However, if you donate the securities to a public foundation like the University of Ottawa Heart Institute Foundation, you will not pay any capital gains tax! You will also receive a charitable tax receipt for the fair market value of the securities that will offset most or all of the taxes. You may claim your charitable tax credit over six years, including the year the gift was made.

The following examples show the actual cost of a contribution of securities versus making a donation of cash. Please note that these examples are for illustrative purposes only. Since each individual's financial situation is unique, please consult with your legal or tax advisor to ensure that you receive a full and accurate explanation of the benefits to you of your charitable gift.

Example: Gift of Securities Versus Donating Cash

Mr. and Mrs. D are regular donors to the Heart Institute and have been considering a large contribution. They had purchased some stock earlier for \$40,000 that is now worth \$100,000, resulting in a capital gain of \$60,000. Their income tax rate and tax credit rate are 46 per cent.

Gift (market value)	Gift of Cash \$100,000	Gift of Shares \$100,000
Tax credit:		
• Federal/provincial tax	\$ 46,000	\$ 46,000
• Reduction in capital gains tax*	n/a	\$ 14,000
Total tax benefit	\$ 46,000	\$ 60,000
Cost of donation	\$ 54,000	\$ 40,000

By giving a gift of stock instead of cash, Mr. and Mrs. D saved \$14,000 in taxes!

* This is the savings in capital gains tax that they would realize by not selling the shares.

Example: Bequest of Securities Versus Cash Bequest

Mary's estate consists of appreciated listed securities as well as cash. She has been considering leaving a bequest through her will to the University of Ottawa Heart Institute Foundation. She bought the securities for \$20,000 a number of years ago. Assuming that the market value of her securities will be \$100,000 when she dies, they will have gained in value by \$80,000. Her income tax and tax credit rates are 46 per cent.

This example shows that it is more beneficial for Mary's heirs if she leaves a bequest of the securities to the Heart Institute and gives cash to her heirs than if she makes a charitable bequest of cash and gives the securities to her heirs.

Securities bequest (cash given to heirs):

Tax credit (46% x \$100,000 market value) = \$46,000

Minus: Tax on capital gain = \$0

Net tax savings = \$46,000

Cash bequest (securities given to heirs):

Tax credit (46% x \$100,000 cash donation) = \$46,000

Minus: Tax on capital gain 46% (50% x \$80,000) = \$18,400

Net tax savings = \$27,600

The tax savings to Mary's heirs (\$46,000 – \$27,600) = \$18,400