

Private Giving Foundation

A simple, effective way to support the causes that matter to you

Fall 2012

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A Creative Collaboration Kick Starts the DC Anderson Foundation

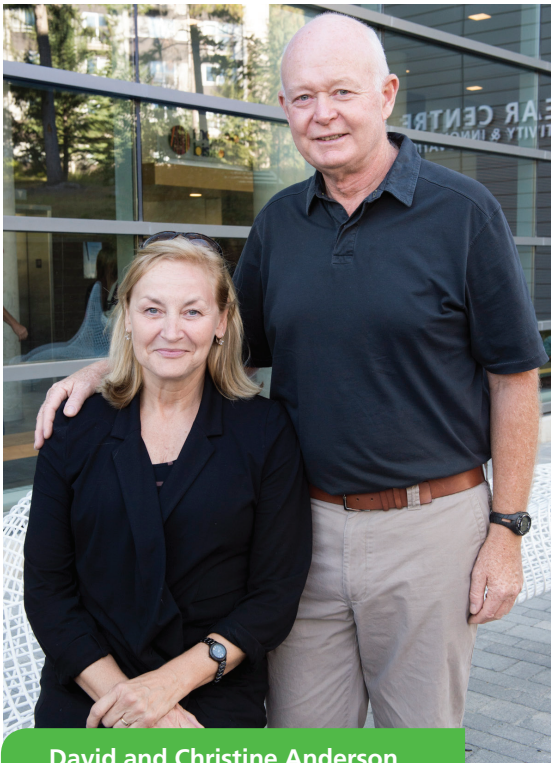
By Jo-Anne Ryan, Vice President, Philanthropic Advisory Services, TD Waterhouse Canada Inc. & Executive Director, Private Giving Foundation

David Anderson's successful executive career in the mining industry has taken him on assignments throughout the world and has required that he spend a significant amount of time in developing countries. As a result, he acquired over the years a deep appreciation for privileges that we, as North Americans, often take for granted, such as access to health care, education and clean water. It is not surprising then, that when David retired from QGX Ltd. in 2008, and he and his wife, Christine moved from Ontario to take advantage of life in the Rockies in Canmore, Alberta, their retirement goals included contributing time, talent and financial resources in a very hands-on way to targeted projects in some of the poorest countries in the world.

David discussed his options with his TD Waterhouse Investment Advisor, Darrin Zweig, and they began exploring the possibility of setting up a foundation, or of using the Private Giving Foundation (PGF) as a simple alternative. "Using a Canadian foundation to fund and oversee global projects is possible, but not without its complexities," according to Susan Manwaring, a leading charities lawyer with Miller Thomson LLP. "Contracts and agreements must be put in place to oversee and manage the projects. Canada Revenue Agency will want to ensure that there is oversight, control and due diligence. Furthermore, understanding how to work and engage members of the community, deal with local governments and contractors is essential, and not an easy task."

An Opportunity to Collaborate

While exploring the optimal avenues for channeling their charitable giving goals with TD's philanthropic advisory service, David and Christine were introduced to Mary Tidlund, president of the Mary A. Tidlund Charitable Foundation (MATF).



David and Christine Anderson

Photo: Kim Williams ©The Banff Centre

Her foundation, founded in 1998 after she left her business career behind, focuses primarily on health, education, and the alleviation of poverty. It is active in twenty-four countries and has completed sixty-five programs.

David and Christine were impressed, and intrigued by the idea of working with MATF. They could see that doing so would help to channel their philanthropic efforts in some of the countries where David had worked and they had vacationed.

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Mary Tidlund
President, Mary A. Tidlund
Charitable Foundation
www.tidlundfoundation.com

They established the DC Anderson Foundation with the PGF, and their collaboration with Mary and her work allowed them to fund projects of their choice through her foundation, and to benefit from MATF's expertise regarding the complexities of managing global projects in developing countries.

Playgrounds for Bequia

The Andersons own a winter home in Bequia, a seven-square-mile Caribbean island that forms part of St. Vincent and the Grenadines. While Bequia is well-known for yachting and beautiful beaches, its 5,000 residents face serious challenges resulting from lack of government funding for basic infrastructure. Additionally, the average age on the island ranges between 21 and 25. According to David and Christine, these youth are mostly uneducated and appear to be drifting through life with no clear goals or skills.



Construction of playground in Bequia

Once David and Christine began their relationship with MATF, they were immediately able to leverage Mary Tidlund's experience. They got right to work on a project in Bequia that involved shipping and installing playgrounds. Basic play structures and playgrounds that are an essential of everyday life for Canadian children are noticeably absent in Bequia. Through the Andersons' efforts, three dismantled playgrounds along with school supplies were shipped from Calgary to Bequia and assembled and installed in three different areas near primary schools. Working with community partners, MATF has installed a number of these playgrounds – each worth \$25,000 - \$35,000 CDN, in developing countries such as Tanzania, Trinidad and Tobago, Kenya and St. Vincent and the Grenadines. The DC Anderson Foundation has also funded programs involving health care and education.



Christine Anderson volunteering in Peru

As a trained nurse who retired from Hamilton Health Sciences in Ontario, Christine jumped at the opportunity to put her nursing skills to work as a volunteer with MATF on trips to Tanzania and Peru. MATF's programs in those countries are focused on women and children. Working with community partners, they teach illiterate populations how to treat common illnesses, such as high fevers, through picture manuals, clinics and workshops. They also provide education to women and children in basic health care issues, such as dental hygiene, treatment of parasites, and maternal health.

Closer to home, art lovers David and

Christine support The Banff Centre. "The Centre provides a fantastic opportunity for young artists to get started," notes David. Working with master bluegrass musicians, the Kruger Brothers, David and Christine commissioned *The Spirit of the Rockies* - a symphonic work for chamber orchestra, guitar, bass, and banjo. Struck by the talent of the emerging musicians who accompanied the Kruger Brothers for the world premiere, the Andersons were delighted by the opportunity to make a gift to The Banff Centre Artists' Fund. By matching gifts raised through the Friends of The Banff Centre's direct mail campaign, the Andersons are helping to bring the organization closer to its long-term goal of providing full financial support to the thousands of artists who are accepted into the Centre's rigorously adjudicated programs every year.

Another love of David's is fishing, so working in conjunction with Duncanby Lodge, funding from their foundation is also directed through the Pacific Salmon Foundation to a project on the West Coast that is running a hatchery, and studying the migration of coho salmon in the Rivers Inlet area.

How fortunate that David and Christine's life experience has shaped their giving preferences to the benefit of global needy populations, the arts and the environment! We owe them both a debt of gratitude. David's philanthropic philosophy is to "give from the heart", and he clearly practices this dictum in his own choices. His sound advice for those who might view philanthropy in their future? *"Put down your BlackBerry's, slow down, smell the roses... find a project and participate!"*



Children from Baquia enjoying their newly constructed playground.

Tax Time



Kay Leung, LL.B.
Senior Manager
Wealth Planning Strategies

As you are aware, December 31st is the deadline to make a charitable donation and receive a receipt for the 2012 calendar year. We have asked Kay Leung, Senior Manager, Wealth Planning, to share her responses to commonly asked questions that she receives concerning charitable giving tax rules.

1) I understand that there are limits to the amount of donations that can be claimed in a given calendar year. Can you please explain what they are? In what instance can I carry donations forward?

For individuals, your annual donation limit is generally 75% of your net income for the year. Net income for an individual includes all income from all sources less allowable deductions. In certain circumstances, there is no limit; in other words, the annual donation limit is 100% of your net income. For example, the annual donation limit is 100% for donations of Canadian cultural property and gifts of ecologically sensitive land.

Unclaimed donations, including donations in excess of your annual donation limit, may be carried forward and claimed in any of the five subsequent taxation years.

2) Are there also charitable giving limits for donations that are made through my will? What happens if I exceed them?

For donations made in your will, the donation limit is 100% of the net income in the year of death. Any excess donations may be carried back one year and the limit is 100% of the net income in that year.

3) Can either spouse or common law partner claim a charitable donation tax credit regardless of who made the gift? Which spouse should claim the donation tax credit?

You may claim a donation tax credit for gifts made by your spouse or common law partner. Generally, the higher income earner should claim the donation tax credit. The donation tax credit on the first \$200 of donations is calculated at the lowest marginal tax rate. The credit for any donations above \$200 and up to the annual donation limit of 75% of net income is calculated at the highest marginal tax rate. When spouses or common law partners combine their donations, the lower tax credit on the first \$200 of donations is counted once. In addition, the higher income earner will have a higher donation limit, which may be important if large gifts are made in a given year.

4) I have publicly-traded securities that I own personally and ones that I own in my private holding corporation. How should I decide from which owner the donation should be made?

For corporations, the annual donation limit is 75% of its net income. The donation limit is increased to 100% if it makes gifts of ecologically sensitive land and Canadian cultural property. Unused donation tax credits, similar to personal donation credits, may be carried forward and used in the subsequent five years.

When you or your private corporation owns publicly traded securities that have appreciated in value, there is a tax liability on the capital gain at the time of disposition or sale of the security. Once the security is sold, 50% of the capital gain must be reported as income. Depending on the appreciation of the security, the liability may be substantial. However, if a publicly-traded security is donated to a charity instead of being sold, the capital gain reported is reduced to zero.

As a general rule, donating publicly-traded securities that have appreciated in value through your private holding corporation is more tax-efficient than donating securities personally. Because your private corporation has a capital dividend account, the non-taxable portion of the capital gain may be added to the corporation's capital dividend account. A capital dividend account is a notional corporate account that keeps track of the balances in a private corporation that

are eligible to be flowed to a shareholder on a tax-free basis. When publicly-listed securities are donated, the entire capital gain is added to the capital dividend account and can be distributed tax-free to the shareholders of the corporation. This is a good way of extracting funds tax-free from your holding corporation.

5) I have heard that it is more tax-efficient to donate appreciated securities than cash. Can you please explain?

Donating publicly-listed securities that have appreciated in value is generally more tax-efficient than donating cash. Any capital gains on the appreciated securities that are donated to a charity are eliminated, yet you receive a charitable tax receipt equal to the fair market value of the appreciated securities. If you believe that the securities have an upside potential, you can donate them and then re-purchase them. If you do so you will (a) avoid paying capital gains tax on your profits to date, (b) receive a charitable tax receipt resulting in a tax credit and (c) have "stepped up" the adjusted cost base ('ACB') of the securities. A higher ACB may reduce your capital gains when you sell your securities later on.

6) Can I donate my RIF portfolio and receive a charitable donation tax credit? I hate to lose almost half of it to taxes upon death. Do you have any suggestions?

If you do not require the funds in your RIF and are looking for tax-efficient ways of making charitable donations, you may choose to donate your RIF portfolio.

Assuming the RIF's portfolio is worth \$100,000, you will have taxes payable of \$50,000 (assuming a marginal income tax rate of 50%) as you are required to include the amount in income. You immediately make a donation of \$100,000 and are entitled to claim a tax credit of \$50,000. No tax is due or payable. Please note the charitable donation is subject to limits as described in the first point.

The financial institution that administers your RIF portfolio is required to withhold taxes on the RIF withdrawn. However, you can request a waiver of tax withholdings prior to withdrawing amounts from your RIF by filing the waiver with Canada Revenue Agency ('CRA'). If CRA approves the waiver, you can provide the financial institution with this approval and no tax will be withheld at source.

Carleton Announces New First-in-Canada Graduate Degree in Philanthropy and Nonprofit Leadership

In the United States, there are 168 graduate programs that train future leaders in the non-profit and philanthropic sector. In Canada, there has not been a formal graduate education in the study of philanthropy. Until now.

Carleton University's School of Public Policy and Administration is launching a new Master of Philanthropy and Nonprofit Leadership degree and graduate diploma in the summer of 2013. These credentials build on Carleton's strong foundation in the area of public policy and administration, while focusing on producing leaders who have the distinctive, sophisticated knowledge needed to effectively navigate

non-profits through a rapidly changing environment.

"Today, more than ever, non-profit leaders need to be more strategic and innovative, ensuring they can assess and communicate their impact to the public, funders and governments," says Susan Phillips, director of Carleton's School of Public Policy and Administration. "And philanthropy has become much more complex. For example, many philanthropists are taking a 'do-it-yourself' approach, creating their own foundations rather than simply making donations. Other investors are seeking opportunities that blend the value of social and economic returns."

The program has been made possible in part by a \$350,000 gift from TD Bank Group. TD is proud to provide scholarships for students in the Master of Philanthropy and Nonprofit Leadership program at Carleton, the first of its kind in the country.

The above excerpt is from a recent Carleton University press release. I am honoured to be a member of the advisory board for this exciting new program. Philanthropy and corporate social responsibility are very important to TD, our customers, clients and employees, and we are proud to invest in a program that will prepare graduates to be innovators, leaders and shapers of social change.

Jo-Anne

What is Impact Investing?

Impact investing refers to investments made based on the practice of assessing not only the financial return on investment, but also the social and environmental impacts of the investment that happen in the course of the operations of the business and the consumption of the product or service that the business creates.

While Canada is behind the United States and the United Kingdom in this area,

in late 2011, the MaRS Centre for Impact Investing was opened. Their objective is to increase the awareness and effectiveness of social finance by catalyzing new capital, talent and collaborative initiatives to deliver innovative solutions to Canada's social and environmental challenges. Look for the spring edition of the PGF newsletter to learn about further developments in this area.



Photo: ©Greg Pacek

We welcome your questions and comments. Please direct them to joanne.ryan@td.com or call **1-866-866-5166** or **416-308-6735**.

Jo-Anne Ryan

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With Gratitude

The PGF Board of Directors would like to thank you for establishing a legacy of giving to support the causes that are important to you. Please do not hesitate to contact us if we may be of assistance to help you with your philanthropic objectives.

Even though we are still enjoying a lovely fall, the holidays are just around the corner! We'd like to take this opportunity to wish you a joyous holiday season and a happy and healthy 2013.

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