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Let's examine how your gift to Queen's can help to optimize your portfolio.

If you are a Canadian resident for tax purposes, and if you are in the fortunate position of having appreciated stocks in your portfolio, you may be dreading the thought of selling the positions and facing a tax bill. Currently, 50% of the capital gain must be included in taxable income.

Fortunately, there is a provision in the Income Tax Act that might take the sting out of the prospect of disposing of the investment. The rule states that when a taxpayer donates SXEOLFOWUDGHGVHFXULWLHV WR D TXDOLÀHG FKDULWDEOH RUJDQLJDWLRQ the capital gain on the donated securities would not be subject to tax. In addition, the taxpayer would receive a charitable donation tax receipt equal to the fair market value of the securities that were donated.

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1 50% of capital gain included in income.

2 50% marginal tax rate.

## The Strategy

Knowing that a capital gain on shares donated will not be subject to capital gains tax and that a charitable donation tax credit will be available for the fair market value of the shares donated, the individual can calculate the optimal amount of shares that they should donate in order to generate a tax refund

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## Conclusion

With the corporate tax rate in this example being similar to the highest personal marginal tax rate, the end result is the same - the optimized donation strategy reduces the after-tax proceeds retained in the corporation by \$7,500 and it redirects the funds to Queen's University.

	Sell All Securities	Sell Some / Donate Some Securities
Cash to/(from) Donor	\$87,500	\$80,000
Cash to/(from) Queen's University	-	\$20,000
Cash to/(from) Canada Revenue Agency	\$12,500	-
Capital Dividend Account Balance	\$25,000	\$30,000

Relative to the corporation donating \$20,000 of cash directly, this strategy reduces the company's cost of making the donation by \$2,500 or 12.5%.

Your professional advisors can help you arrange any new donations, whether during your lifetime or through your estate. Queen's Gift Planning professionals can work with you and your advisors to ensure that your donation can be accepted and used as intended. You and your broker can electronically transfer your gifts of securities into the Queen's account by using the Gift of Securities Form. Please contact our \*LIW 6HUYLFHV 2€FH DW JLIWV#TXHHQVX FD .LQJVWRQ 21 . / 1

7KH VLJQLÀFDQW GL•HUHQFH LQ WKH FRUSRUDWH RSWLPLJDWLRQ scenario is that the strategy also increases the company's capital dividend account balance. As a result, the company can pay an additional \$5,000 tax-free dividend to its Canadian resident shareholders (assuming the highest marginal tax rate on dividend income is 45%, this results in additional tax savings of \$2,250 [= \$5,000 \* 45%]).