



A Great Option for Your Giving

GIFTS OF APPRECIATED SHARES

On May 2nd, 2006, the Minister of Finance delivered the 2006 Federal Budget. One of the changes announced was the exemption of capital gains when donating publicly listed securities to a charity. Please refer to the example below:

| The Tax Benefit | Sell shares donate cash | Donate shares directly to charity |
|---|------------------------------------|--|
| Fair Market Value of donation (a) | \$1,000 | \$1,000 |
| Adjusted cost base | 0 | 0 |
| Capital gain | \$1,000 | 0 |
| Taxable capital gain | \$500 | 0 |
| Tax on capital gain (b) | \$230 | 0 |
| Donation tax credit (c) | \$460 | \$460 |
| Total cost of donation = (a) + (b) – (c) | \$770 | \$540 |

This is based on marginal income tax rate of approximately 46%.

The elimination of capital gains provides donors with excellent tax savings for securities donations, especially with current stock market conditions. The taxpayer will receive two types of tax savings:

- 1) A tax credit or deduction equal to the highest marginal rate;
- 2) No capital gains paid on the disposition of the stock (up to 22% additional savings, but typically in the 8% to 15% range).

The Foundation is hoping the recent changes in the budget will encourage donors to leave gifts, either now or in the future, to support students trying to have a positive effect in this world. A world where every child is educated to his or her potential.



POWER THE PROMISE