

Planned Giving

It is very important to plan and prepare for all stages of one's life, including the end of it. Unfortunately, many Canadians have not adequately organized their financial affairs in anticipation of their death. The consequences of ineffective estate planning include not having an individual's estate distributed according to his or her wishes and can result in the individual's dependents being responsible for a large tax bill.

Tax Liability Upon Death

On death, an individual in Canada is generally deemed to have disposed of all of his or her capital property at fair market value, unless the property is transferred to a spouse. If the individual owned assets that had increased significantly in value since they were acquired, this could result in a large capital gain on the deemed disposition. Although only half of the deemed capital gain is taxable, a large capital gain can still result in a substantial income tax liability to the estate. As well, since a deemed disposition does not result in the actual sale of the asset, the individual's estate does not actually receive any additional proceeds to be able to pay the income tax liability.

As a result, an individual should consider ways to manage and lower the tax costs associated with one's death. One way to do so is via planned giving.

Planned Giving

Planned giving occurs when an individual donates a portion of one's estate to a charitable organization upon one's death. Planned giving can be as simple as including a donation to a charity in one's will or involve more complex plans such as establishing a foundation. A planned gift can be a good way for an individual to perform a final act of kindness and take some comfort in knowing that he or she is leaving a portion of his or her estate to provide a benefit to future generations.

A final tax return is prepared for the year an individual passes away. Similar to a regular tax return, all of the personal tax credits are still available to be used on

this final return. By including a charitable donation in one's will, the donation will be eligible for a charitable donation tax credit, which can reduce an individual's final tax liability. With a lower tax, the estate will have more funds available to settle the individual's other liabilities and to provide the deceased's family members with a larger inheritance.

In normal circumstances the charitable donation tax credit is limited to 75% of an individual's net income, but for a final tax return, this limit is increased to 100% of the deceased's net income with any unused amounts available to carry back to the return in the year preceding the individual's death. A planned gift is not only an act of altruism, but can also be very useful in estate and tax planning.

Different Types of Planned Gifts

As indicated above, the simplest and most common way to leave a gift is to designate a monetary contribution to a charitable organization in a Will.

However, another method is to donate marketable securities to a charitable organization. The benefit of this is that any capital gain on the disposition of the security is tax-free and the donation is still eligible for a tax receipt. This method avoids tax on the disposition of a security with a large increase in value.

It is also possible to leave a gift to a charity by purchasing a life insurance policy and naming the charitable organization as the beneficiary of the policy. This is a gift typically paid for by ongoing insurance premiums. The organization named as the beneficiary will benefit from the proceeds and the donation provides the individual with a tax receipt.

For those looking to make a more long lasting or involved contribution, it is possible to contribute to or establish a foundation, which can continue a person's philanthropic legacy after death. A foundation can provide an individual with more control in how and when his or her estate is distributed to different charitable causes.

A unique way to provide a gift to a charity is to place an asset that an individual wishes to donate in a charitable remainder trust. This

arrangement allows the individual to continue to use the donated asset until he or she dies, but still receive the benefit of a tax receipt at the date the asset is placed into the trust, and not when the asset is actually transferred to the charity. This can be a good way to donate an asset that a person requires during his or her lifetime.

Communities like ours are built through the choices we make today and the legacies we plan for tomorrow. According to Michael Allen, President and CEO of the United Way Ottawa, "through a planned gift you can be assured that your gift will be invested in programs and initiatives where it's needed most and where it will have the greatest impact. As part of your legacy you will help build a stronger and safer Ottawa for everyone in our community."

Charitable organizations are dependent on the generosity and desire of individuals to make a positive impact on Canadian society. If every Canadian planned to gift even a small amount in their Will, this could generate many millions of dollars for the country's charitable sector. A planned gift is a good way to maintain a positive legacy that will benefit future generations of Canadians, as well as a tool that can be used to lower a person's tax liability upon death.

This'n That at Logan Katz

Logan Katz in the Community

On September 7th Logan Katz participated and was a major sponsor of the 21st annual golf tournament hosted by AISO—The Social Integration Association of Ottawa.

On September 14th Logan Katz participated in the 18th annual University of Ottawa Telfer School of Management golf tournament. The tournament is to stimulate networking and to raise funds to support various students activities and competitions.

On October 11th Logan Katz LLP will be hosting an Open House for the students from University of Ottawa Telfer School Management.

New Faces at Logan Katz

Angelina Rucchetto, Holly Tennian and Dana Mersich have recently joined Logan Katz. Angelina and Holly are new additions to our support team, while Dana joins our Accounting and Assurance group. We look forward to introducing these ladies to you.

FINDING WAYS TO GIVE BACK
THROUGH YOUR LOCAL CHARITIES

