TORONTO EAST GENERAL HOSPITAL FOUNDATION

Gifts of Listed Securities

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

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

If you *sell* the securities and keep, or donate, the *cash* from the sale, you will be taxed on 50% of the capital gain. However, if you donate the securities to a public foundation like the Toronto East General Hospital Foundation, the taxable amount reduces to 0% of the capital gain. 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. Any unused amount from the charitable receipt can be claimed over the next five years.

Example – Gift of Securities vs Selling Securities and Donating Cash:

The following example shows the actual cost of a contribution of securities versus selling the securities and using the cash for the gift.

Mr. and Mrs. D. are regular donors to the Toronto East General Hospital Foundation and have been considering making a larger contribution. They had purchased some stock earlier for $10,000 that is now worth $50,000, resulting in a capital gain of $40,000. Their income tax rate and tax credit rate are 48%.

	Gift of Stock	**Sell Stock, Use Cash for Gift**
Gift (market value)	$50,000	$50,000
Cost Base of Stock	10,000	10,000
Capital Gain	40,000	40,000
Taxable Capital Gain	**10,000** (0%)	**20,000** (50%)
Tax on Capital Gain (at 48% tax rate)	4,800	9,600
Tax Credit on Donation (48% rate x $50,000)	24,000	24,000
Tax Savings	**24,000**	**14,400**
Actual Cost of Gift	**$26,000**	**$35,600**

The gift of stock, instead of cash from the sale of stock, saved them $9,600 in taxes!

Please turn over…

Example – Bequest of Securities vs 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 Toronto East General Hospital 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 48%.

This example shows that it is more beneficial for Mary's heirs if she leaves a bequest of the securities to the Toronto East General Hospital Foundation and gives cash to her heirs, than to make a charitable bequest of cash and give the securities to her heirs.

Securities Bequest (cash given to heirs):

Tax credit (48% x $100,000 market value)	=	$48,000
Minus: Tax on capital gain 48% (0% x $80,000)	=	($ 0)
Net tax savings	=	$48,000

Cash Bequest (securities given to heirs):

Tax credit (48% x $100,000 cash donation)	=	$48,000
Minus: Tax on capital gain 48% (50% x $80,000)	=	($19,200)
Net tax savings	=	$28,800

Tax Savings to Mary's Heirs ($48,000 - $28,800) = $ 19,200

Seek expert advice. If you are thinking about transferring assets that have appreciated in value, Toronto East General Hospital Foundation strongly recommends you seek expert advice from a tax specialist or financial planner to ensure that your financial goals are considered, your tax situation is reviewed and your planned gift is tailored to your circumstances.

We welcome the opportunity to meet with you to discuss your planned giving options. Please feel free to contact Debbie Owen to obtain further information.

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