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How to reap while giving

Companies find 'creative' charity helps bottom line

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'Tis the season to give -- but with a strategy that takes into full account the tax benefits of philanthropy, experts told an audience at the Calgary Chamber of Commerce on Thursday.

"There are ways of being creative with philanthropy that will be beneficial with both you and a charity," said Derek Thompson, financial adviser for investment dealer Raymond James.

About 90 per cent of donations are made in November and December as people and corporations weigh the advantages of giving on their year-end statements.

And in Alberta, which leads the country in charitable donations as well as wages, that means millions of dollars waiting for a good cause.

Besides building up good karma points and supporting worthy endeavours, philanthropy throws a wrench into Revenue Canada machinery.

For example, giving flow-through shares has increased in popularity because it's a gift that gives three times, Thompson pointed out.

First, the donor gets a tax deduction for 100 per cent of the investment, then eliminates capital gains upon donating it, and winds up with a nice tax credit for the donation at the end of the year.

The use of corporate retained earnings also can benefit charities and donors in a big way, Thompson said.

Canada has the second-largest charitable and non-profit sector in the world, with revenues of \$112 billion, representing 7.1 per cent of the national gross national product -- more than motor vehicle manufacturing, retail trade or mining, oil and gas extraction.

About 85 per cent of Canadians made a charitable donation in 2005, averaging \$400 each. Albertans topped Canada's giving chart in 2005 with donations averaging \$500.

"Charitable giving is driven by causes and passion," Laily Pirbhai, with Calgary Foundation, said. "So as much as there's a lot of economic wealth, if there is something that catches your attention or affects you personally, your ability to give money grows."

According to the foundation, the estimated market value of stocks held by Canadians was \$1.3 trillion, with nearly half that amount being unrealized capital gains.

In 2006-07, the foundation received \$44 million in new gifts, administered \$334 million in assets, up from \$299 million the previous year, and granted \$33 million to 547 charitable groups.

"The tax situation over the past two years has enabled different types of assets to be gifted, but only if you're interested in giving in the first place," Pirbhai noted.

The last two federal budgets recognized that people want some return for being kind, first eliminating capital gains taxes on donations of public shares to community foundations and charities, and then to private foundations.

In Alberta, the last provincial budget increased tax credits on charitable donations greater than \$200 to 21 per cent from 12.75.

While low-income Canadians gave the highest percentage of their income to charity, less than a quarter of the population accounted for more than 80 per cent of the value of all donations.

Make no mistake, the most successful philanthropic endeavour links interest and passion with an organization, said Brett Wilson, with FirstEnergy Capital Corp.

The oil and gas investment brokerage pledged 2.5 per cent of its pre-tax earnings each year toward charity when launching in Calgary almost 15 years ago.

The move wasn't all altruistic, as Wilson is quick to point out. The 2.5 per cent also is the company's marketing budget, a savvy strategy to build up its name in the community through sponsorships and goodwill.

Today, the successful corporation raises funds through by-invitation-only "free" parties where guests are told to drop a cheque at the door when entering.

Choose a passion and combine it with a serious set of priorities, Wilson told the full room. Long-term commitment and investments are key to making an impact with giving, as are creating partnerships and entering into collaborative efforts.

Requests to FirstEnergy for funding have shifted in the last couple of years toward capital campaigns rather than programming, which makes it difficult for the firm, he said.

"It has to capture the imagination and the heart of my partners because we don't have the money as FirstEnergy to support a big capital campaign," he said. "We chose breadth over depth, and give to between 250 and 300 charities."

For Geoff Pradella, vice-president of public and government relations for the chamber, it was enlightening to discover regular folk could also take advantage of tax benefits when planning to donate.

"We can all be doing and thinking about using what we have . . . (to benefit) our community and charities even if we aren't multimillionaires."

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