GOOD LIVING: FINANCIAL PLANNING FOR THE HEALTHY, WEALTHY AND WISE.

Leaving a legacy

Make a meaningful difference, and reduce your tax bill

Andrew Guilfoyle developed a passion for making a difference in the world in high school, where he raised money with fellow students to travel to Nepal and build a school. The experience was so rewarding that he spent his final summer while at university volunteering, taking disadvantaged children on extended canoe trips to a national park, and worked for a year in an orphanage in Uganda after graduating.

A chartered accountant and chartered financial analyst, Guilfoyle now helps his clients enjoy the satisfaction of making a meaningful difference in the world – while avoiding unnecessary taxes – through planned charitable giving. "The recent rule changes have made it much easier for Canadians to donate. The rules concerning donations in publicly traded securities have been particularly beneficial in the last few years," he says.

A recent event that highlights this trend, he says, is the takeover of BCE. "A lot of the stock was originally bought or transferred at a very low price, so as it transitions to a privately held company at the end of 2008, many BCE owners will face a large tax bill."

Charitable organizations have been very active in making BCE owners aware that there is an attractive alternative: if the stock is donated in-kind, the donor will receive a tax credit for the full market value and will pay no tax on the capital gain. "The tax benefits are significant," says Guilfoyle, "and charities are also benefiting. In the past, the same transaction would have triggered capital gains tax, making it difficult for donors to contribute as generously."

Not everyone owns BCE stock, but anyone with assets can support their favourite charities and enjoy similar tax benefits. "Many of our clients approach us with the objective of ensuring that as little of their estate as possible goes to Ottawa – they feel they've paid their fair share to general government coffers.

"One family we worked with had a projected final tax bill of almost $1 million; they wouldn't even be considered a very wealthy Canadian family. These were generous, giving people. With some planning, we were able to reduce their final tax bill to zero, and three different charities (a Toronto hospital, a humane society and a local church) each received over $500,000. It was a successful solution that they were very happy with."

Recently, Guilfoyle has enthusiastically raised funds for Toronto Sick Kids Hospital, where his youngest son has received care. "It's a world-class facility – health professionals and researchers come from all over the world to work here. Their foundation has granted over $500 million in support of research, benefiting children all over Canada and the world. Our government pays for the lights to be turned on, for salaries and operating expenses – but most of the breakthroughs in health care would not have been possible without the generous donations of so many Canadians."

"The Canadian government has provided numerous opportunities for planned giving through tax incentives over the last number of years," says Malcolm Berry, development officer, SickKids Foundation. "These changes allow people to make gifts that they never thought themselves capable of. BCE is an example of a sale that could potentially provide people who invested years or decades ago to make some very transformative gifts, and there are numerous other instances where that's been the case."

Another growing trend, says Berry, is the popularity of funds that allow the donor to reap the tax benefits of giving and continue to direct the use of the proceeds. "People want to become more engaged, so we're also seeing interest in donor-advised funds. They are giving to their kids, but they also have other interests that are really important to them."

At SickKids, donor-funded research has led to many discoveries that have improved health and quality of life for children and the adults who love them, including Pablum in 1931, a nutritional cereal supplement for infants still popular today, to a more recent cancer research breakthrough that helps oncologists and researchers understand why some cancers reoccur.

As a result of the recent tax changes, registered charities have attracted a wide array of donations, "from the massive, in the millions of dollars, to much more modest contributions. This is something that the government is actively encouraging – our government leaders seem to have recognized that this is an effective way to help build a better society. It is now up to each individual, with his or her unique situation, assets and personal financial structure, to come up with a plan to best maximize the benefits," says Guilfoyle. ■

PHOTO: KIM JEFFERY

Toronto-based chartered accountant and chartered financial analyst Andrew Guilfoyle helps his clients make a meaningful difference in the world – while avoiding unnecessary taxes – through planned charitable giving. "The recent rule changes have made it much easier for Canadians to donate, " says Guilfoyle.

Estate bequest most popular

Among the many planned giving options now available for those who wish to share their good fortune with favourite charities, the estate bequest is still probably the simplest, most flexible and most common, says Malcolm Berry, development officer, SickKids Foundation. "Bequests are revocable, and they allow the estate to reduce its tax burden upon death. You're not looking at a cash load today; but at assets, once they're no longer needed. I think bequests provide the opportunity for average Canadians to make a major gift to a charity, regardless of their means."

As boomers reach a more philanthropic stage in their life, says Berry, a growing trend is endowments that are being set up during life and that will either be partially or fully funded with the bequest funding after death. "It provides a great opportunity for the donor who wishes to see his or her good work today, but also know that there's an additional supplement down the road to allow the good work to continue."

For more information, visit sickkidsfoundation.com.

Family, charities or taxes; the choice is yours

When people look at their life's financial work and ask themselves what legacy they'd like to leave, the options for giving are family, chosen charities or the government, says certified financial planner Andrew Guilfoyle. "Most people prefer to leave the majority to their kids, some to their favourite charity and as little as possible to the government.

"However, the reality – because most people don't take the proper planning steps – is that a huge percentage goes to the government, some to the kids, and little if anything is left to charity."

By contrast, many other Canadians choose to make periodic donations throughout their life, and to make a more significant contribution from their estate, realizing the tax benefits of both strategies, says Guilfoyle.

"To maximize the benefits to the organization you wish to donate to, and maximize the tax benefits to you and your estate, you have to have a plan. It's important to work with a financial advisor who has expertise in this area and will deliver the best results."

For more information, visit guilfoylefinancial.com.

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