

3 Ways to Donate to Charity

By Current Wealth Advisors



It's easy to donate cash, but there are a few other ways. These won't apply for everyone, but they can come with huge tax benefits in the right situation. Exact tax rules vary by province. This guide is for a Manitoban with \$100,000 of income who wants to donate **\$5,000 each year**.

Good – Donate Cash

Cash donations can be more than just dollar bills. It can be any cash-like donation including a cheque, e-transfer, credit card, or an online payment.

Tax Benefit:

1. You get a tax credit of around 45% of the amount you donate.

This reduces federal and provincial taxes by a combined \$2,280. The exact amount of the credit depends on your circumstances, but 45% is a good rule.

Donation Cost

\$2,720

Better – Donate assets that have increased in value

If you have \$5,000 of Apple shares which have doubled since you bought them, you could donate cash, but donating the shares is better because the CRA forgives capital gains tax on securities donated to charity.

This saves another \$474 in taxes and you can buy back the shares later.

Tax Benefits:

1. You get a tax credit of around 45% of the amount you donate.
2. You do not have to pay capital gains tax on securities you donate.

Donation Cost

\$2,720

PLUS don't pay
\$474 in capital
gains tax

Best – Create your own Donor Advised Fund

Good & Better deal with one-time donations. If you want make a \$5,000 donation every year and you have \$100,000 of Apple shares with a large capital gain, starting a Donor Advised Fund might be the best strategy.

Tax Benefits:

1. You get a tax credit of about 45% of the amount you donate to the DAF.
2. You do not have to pay capital gains tax on securities you donate.
3. Investments in a DAF grow TAX FREE until you give them to charity.

Annual
Donation Cost

\$2,720

PLUS don't pay \$474 in
capital gains tax
PLUS save thousands
on investment tax in
the future

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