

# Creative Ways to Fund your Meewasin Donation

By Fred Smith, Investment Advisor and Meewasin Volunteer

## 1. Cash

Tax savings is 44% for Saskatchewan residents who have other donations of at least \$200.

## 2. Capital property (Stocks, bonds, land, etc.)

Donating securities is more favorable than cash because the tax on the disposition is eliminated. This means the best shares to give away are those with the highest capital gain.

Anything with a capital gain (real estate, mutual funds, stocks, etc.) qualifies for this treatment. Meewasin gets full value for the shares, while you save tax.

## 3. Existing life insurance policies

Existing life insurance policies are worthwhile for Meewasin because they are perfectly liquid. [The Donor receives a receipt for the cash value of the policy.](#)

## 4. RRIFs

If you are concerned about the tax payable on your RRIF, one solution is to name Meewasin as the beneficiary of the RRIF. The tax credit from the donation will always be greater than the tax payable.

## 5. RESPs

RESPs have a 25-year lifetime. Meewasin could be named a charity as contingent beneficiary or any existing RESPs.

## 6. NISA accounts

NISA is a stabilization program for Canadian farmers. It is being discontinued, with a new program (CAIS) taking its place. Farmers must withdraw their entire NISA balance over the next five years. Many farmers can simply transfer their money to the CAIS program, but some will face substantial tax bills because their NISA funds are in excess of the allowed CAIS contribution. Donating this excess NISA money to Meewasin would solve their tax problem.

## 7. Flow through shares

Flow through shares are attractive because they offer a tax deduction when purchased. Normally, two years later the shares are converted, tax-deferred, to a mutual fund. The mutual fund is perfectly liquid and can be disposed of at no cost (other than the tax). If these shares are given to Meewasin, the donor doubles their tax deduction.

Depending on your tax bracket, donors can substantially increase their donation at no additional cost to them. Flow-throughs are especially effective for seniors subject to OAS clawback.

## 8. Holding Companies

If your holding company is just holding your investments, the income is taxed at 53.2% in Saskatchewan. Donating some of this income to Meewasin is a good way to mitigate this tax hit.

## Donating Flow Through Shares Example Scenarios

|                                     |                 |              |                |
|-------------------------------------|-----------------|--------------|----------------|
| <b>Assumptions</b>                  |                 |              |                |
| <b>Income tax rate</b>              | 44%             |              |                |
| <b>Donation tax credit rate</b>     | 44%             |              |                |
| <b>Capital gains inclusion rate</b> | 0%              |              |                |
| <b>Standard conversion ratio</b>    | 100%            |              |                |
| <b>Worst case conversion ratio</b>  | 79%             |              |                |
| <b>Best case conversion ratio</b>   | 134%            |              |                |
| <br>                                |                 |              |                |
| <b>Cash donation</b>                | 10,000          |              |                |
| <b>Tax savings</b>                  | (4,400)         |              |                |
| <b>Cost to donor</b>                | <b>5,600</b>    |              |                |
| <br>                                |                 |              |                |
|                                     | <b>Standard</b> | <b>Worst</b> | <b>Best</b>    |
|                                     | <b>Case</b>     | <b>Case</b>  | <b>Case</b>    |
| <b>Purchase Flow Through LP</b>     | 46,667          | 46,667       | 46,667         |
| <b>LP Tax savings</b>               | (20,533)        | (20,533)     | (20,533)       |
| <b>Donate to charity</b>            | 46,667          | 36,867       | 62,533         |
| <b>Tax on disposition</b>           | -               | -            | -              |
| <b>Donation tax savings</b>         | (20,533)        | (16,221)     | (27,515)       |
| <b>Cost to donor</b>                | <b>5,600</b>    | <b>9,912</b> | <b>(1,381)</b> |

For more information about creative ways to fund your Meewasin donation, please contact Fred Smith at Raymond James Ltd - (306) 651-4270.