



Charitable giving workshop: Giving back made easy

Mackenzie insights on helping clients support causes that are important to them

In this session of our 2022 Spring Exchange Event Series, presented by **Mackenzie Institute**, **Carol Bezaire** (Vice President, Tax, Estate & Strategic Philanthropy), **Simon R. Potel** (Director, Donor Engagement Officer, Major Gifts – Western Canada, Doctors Without Borders) and **Brad Offman** (Founder and Managing Partner, Spire Philanthropy) shared their expert insights on how to help clients use donor-advised funds to make the most of their charitable efforts.

Event highlights

Roughly eight out of 10 Canadians actively donate to charities every year, totalling approximately \$10 billion annually. These donations help fund more than 88,000 registered charities in Canada, so they can continue doing critical work and supporting those in need. The pandemic has had a devastating impact on charities regarding their fundraising capabilities and the services they're able to provide.

Simon R. Potel provided an update on how the Strategic Charitable Giving Foundation plays a part in allowing Doctors Without Borders to expand their services and help individuals and areas in most need around the world.

Mackenzie Charitable Giving Program

Carol Bezaire shared that in Canada, donation revenue has declined roughly 80% since the pandemic began, creating a massive shortfall for charities performing essential work in our communities. Donor-advised funds (DAFs) can be an ideal way to support charitable organizations for many Canadians over the longer term. A DAF is a planned giving account established through a registered charity and facilitates a stream of support to charities. When donors make a charitable donation, they receive an immediate tax deduction on donated funds and can then recommend ongoing grants to their favourite charities.

Mackenzie accommodates DAFs through the Mackenzie Charitable Giving Program, which is offered via the Strategic Charitable Giving Foundation, a registered Canadian charity. With DAFs, donors receive all the benefits of a private foundation, but without the cost, time commitment and administration. The Mackenzie Charitable Giving Program is designed to provide advisors' clients with a convenient way to integrate charitable giving into their overall financial plan, while offering immediate tax benefits.

As the following graphic illustrates, DAFs offer many benefits to clients, advisors and dealers as they provide much-needed financial support to charitable organizations in Canada.



Opportunities for advisors

Growth in the DAF market has outpaced the charitable sector as a whole. The average DAF account in Canada is about \$300,000 and continues to grow amid greater awareness of this legacy-building vehicle. Advisors who support client use of DAFs recognize that planned giving helps their clients fulfill the practical and emotional benefits of giving. In turn, as shown in the graphic above, DAF accounts provide advisors with another way to build their practice.

Clients often need charitable giving advice and expert guidance regarding how giving plans work. Prospects for DAFs typically fall into five major groups:

1. Investors receiving large one-time asset transfers.
2. Investors who are already giving to charities, but want to simplify their charitable giving.
3. Investors looking for a long-term, flexible and strategic approach to charitable giving.
4. Investors who want to set up a private foundation, but cannot afford the time or money.
5. Investors carrying unrealized capital gains they would like to minimize.

In fact, regarding the fifth group, some of the largest donations in Canada have stemmed from a tax planning issue, such as the eventual taxation of large capital gains in a portfolio. Whatever the reason, a donor-advised program can be a simple, cost-effective and comprehensive solution.

Regarding the fourth group, the image below shows how the costs of a private foundation can be much higher than those of Mackenzie Charitable Giving Program. Advisors can add tangible value by making clients aware of financially sound, planned giving alternatives to private foundations.

	\$500,000 Private Foundation (estimate)	\$500,000 Mackenzie Charitable Giving Program
Set-up costs	<ul style="list-style-type: none"> ▪ \$7,500 CRA registration fee ▪ Legal and accounting fees (\$10,000 - \$60,000 depending on complexity) 	<ul style="list-style-type: none"> ▪ \$0
Administrative costs	<ul style="list-style-type: none"> ▪ \$5,000 per year for tax reporting, audit and statements 	<ul style="list-style-type: none"> ▪ \$2,750 annually (0.55%)
Structural costs	<ul style="list-style-type: none"> ▪ Cost of quarterly/annual Board of Directors or Board of Trustees meetings 	<ul style="list-style-type: none"> ▪ \$0
Total costs in first year	<ul style="list-style-type: none"> ▪ \$22,500 	<ul style="list-style-type: none"> ▪ \$2,750

How a DAF works

Mackenzie makes DAF accounts straightforward to open and manage. We also offer advisors a wide range of dedicated resources, including expert support and guidance from the Foundation Administration team and our Tax and Estate Team.

- The first step for a DAF is to open the donor account. The donor can choose the name of this account, perhaps naming it after a family member, a lost loved one or a cause they support.
- Cash, publicly listed stocks, mutual funds, insurance and/or segregated funds may be donated.
- Donated funds will be invested in the eligible Mackenzie fund of the donor's choice and grow tax-free. Our eligible funds are all managed programs that the donor and their advisor can "set and forget."
- Donors may recommend grants to their choice of Canadian registered charities or any other institutions as prescribed by *Income Tax Act* regulations.
- For the convenience of advisors and their clients, Mackenzie is responsible for all record-keeping and issuing of statements and tax receipts.

Mackenzie Charitable Giving Program features

Minimum initial gift	\$10,000
Additional donations	\$500
PAC plan	\$125 quarterly or \$500 annually
Name of foundation	Strategic Charitable Giving Foundation
Investment options	13 Mackenzie Investment Mutual Funds
Choice	Name your account, give anonymously, choice of investment in your account, grant amounts that flow to designated charities, which charities to support and name your successors.
Administration fee	0.55% Amounts > \$2.5M negotiable
Donation fee	None

Tax benefits of charitable giving

Charitable donations can significantly reduce a donor's tax bill. In addition to federal tax credits, there are also provincial and territorial tax credits that vary. In a married or common-law relationship, a spouse or common-law partner may split tax credits to realize larger overall tax savings. Keep in mind that donations made through a corporation can be more tax effective than personal donations, while donations of securities personally or by a corporation can be more tax effective than personal or corporate donations of cash.

The donation of a life insurance policy is attractive for taxpayers hoping to realize a charitable tax credit to minimize their taxes while supporting an important cause. The donor may choose to defer the tax benefit or take it up front, depending on their financial circumstances. If they defer the tax benefit, they are not transferring ownership of the life insurance policy, but are designating a charity as the beneficiary. With an upfront benefit, the donor transfers ownership of the policy to the charity. Also, estate donations may be helpful for complex estates (e.g., high-net-worth) that could take considerable time and administrative effort to settle the estate, since there is some flexibility regarding the year to which the donation is allocated.

Philanthropy and the advisor practice

Brad Offman noted that although most advisors think they are talking to their clients about charitable giving, studies have shown that relatively few clients believe that's the case. Not only does this disconnect keep clients from enjoying the benefits of a strong giving plan and strategy, but it also impedes an advisor's ability to grow their practice to its full potential.

Here are three common reasons why an advisor may not broach the topic of charitable giving with clients:

1. Advisors believe charitable giving is private and not any of their business. However, understanding a client's values (as reflected in their charitable giving choices) is always valuable for advisors.
2. Advisors are not comfortable with the subject matter because they don't feel they are experts in charitable giving. However, advisors can focus conversations on the areas of giving that they know.
3. Advisors find that discussing charitable giving doesn't happen naturally in client meetings, so the topic won't get raised.

Regarding the third point, advisors interested in helping clients with giving plans must proactively initiate the conversation. The following three everyday scenarios offer a good opportunity to discuss charitable giving:

1. **Planning meeting.** Most advisors structure their practice so they have regular planning meetings with their clients. This can be a good time to introduce the concept of charitable giving and how it fits into the client's overall financial plan.
2. **Clients have a tax problem.** Clients who have (or will be facing) significant tax exposure during their lifetime, largely the result of selling or disposing appreciated capital property, may benefit from the tax efficiency of a formal giving plan. Many clients don't realize how large their final tax obligation can be.
3. **Clients with no children.** Clients who don't have children, particularly those who are older and in retirement, may be open to discussions about philanthropy and creating a lasting, meaningful legacy.

Advisors who are motivated to incorporate charitable giving planning into their practice may wish to pursue the MFA-P designation program, offered through [Knowledge Bureau](#), as a philanthropy services specialist. By earning this professional designation, advisors can differentiate themselves to clients and prospects, and be recognized as a certified expert in the growing field of strategic philanthropy and legacy planning.

For more information and insights about topics discussed in this workshop, or to learn about specific solutions and strategies that you may be considering for client portfolios, please contact your Mackenzie Sales Team.

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