



BY ANNE BRAYLEY

Donations with benefits

Clients don't practice philanthropy just for the tax receipt



Anne Brayley, **vice president, Professional Advisory Services at the Toronto Community Foundation** speaks with Jamie Golombek, **managing director, Tax and Estate Planning at CIBC Private Wealth Management**, about philanthropy as part of a wealth management plan.

Brayley: At what point do you usually discuss philanthropy with your clients?

Golombek: Many of our clients are business owners in their 50s and 60s who may be about to sell or have already sold their business. In planning for the use of those assets, I bring up the topic of philanthropy. It starts with the broader question, "What do you want to do with all your wealth?"

Brayley: Are clients receptive to that discussion?

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—Jamie Golombek

Golombek: They're always open to the question. Their first concern, of course, is their family — making sure they will be taken care of financially. Most also reply that while they've often thought about philanthropy on a bigger scale, no one generally asks them about their desires. Once there are sizable assets in play through the sale of a business, the concept of starting a foundation with part of them usually surfaces.

Brayley: What advice do you give clients about setting up a private foundation versus alternatives such as a donor-advised fund with a public foundation?

Golombek: First, I ask clients how much privacy they want around their philanthropy. People often don't realize that creating a private foundation actually makes the information about it public. Canada Revenue Agency requires full disclosure of a private foundation's activities. On the other hand, a donor-advised fund can afford more privacy, as the donor can remain anonymous under the public foundation's umbrella.

Other considerations include the level of involvement a client wants to have with the administration of a foundation. With a donor-advised fund at a community foundation, for instance, all the administration and investment management is taken care of by the foundation. The clients can focus solely on choosing the charities they wish to support with the earnings from their endowment fund. The community foundation can also become a resource to guide a client towards appropriate charities for their areas of interest.

Brayley: As an expert in tax strategies, how much would you say tax benefits drive your clients' philanthropic decisions?

Golombek: Philanthropy generally starts with a client wanting to give back, and is never purely for tax reasons. Our job is then to employ different strategies to make the charitable gift the most tax- and cost-efficient. One thing I do encourage from a tax perspective is for clients to consider more

charitable giving during their lifetime. Unused donation tax credits for gifts made during your lifetime can be carried forward for five years. Donations made in your will, however, can only be claimed in the year of death and the year prior. If a client won't be able to reap all the tax benefits of making a donation upon death, it often makes more sense to have gifted this excess capital during one's living years, when the full donation tax receipt can be used.

Brayley: What unique tax strategies exist for charitable giving?

Golombek: I had a client who wanted to make a gift to a charity, but he didn't need the tax receipt immediately. He arranged to make the gift as a no-interest loan to the charity. When he actually needs the tax receipt to reduce his taxes in the future, he plans to forgive the loan. This will turn it into a donation, for which he will get his receipt. While this wouldn't be an appropriate strategy for every situation, it worked well in this case.

Brayley: What advice do you have for other advisors who are preparing to have philanthropic discussions with their clients?

Golombek: There is abundant research that says clients would like advisors to ask them about their philanthropic plans. My experience is that the conversation shows you're interested in your client's broad range of interests, and they respond positively to that. In addition to providing them specific tactics for effective giving, you'll set yourself apart with this added value to the client relationship. **AER**

GARY HOVLAND