

Tax Tip
Week of November 16, 2009

Donating Stocks

If an individual owns stocks and also makes significant charitable donations, a tax effective strategy is to donate stocks, rather than cash. The advantages of donating stock include:

- there is no capital gain on the shares that have been donated
- the value of donation is equal to the fair market value of the shares

Assume an individual owned shares valued at \$10,000 with an adjusted cost base of \$4,000. If the shares were sold and the funds were used to make a donation, a \$3,000 taxable capital gain would be included in income. The value of the donation would be \$10,000. If the shares were donated in lieu of a cash, the individual would receive a \$10,000 donation, but the capital gain on the shares would be nil.

This strategy is effective for retired individuals who have acquired sufficient assets to fund their lifestyle and wish to make significant donations to a favourite charity. If the shares are eventually to be sold, combining the sale with the support of a charitable donation can result in significant tax savings.