GiftPact Foundation

Donation of publicly traded securities

How Susan Saved $12,500 With an In-Kind Charitable Donation of Securities

As a lifelong Manitoban, Susan has a strong connection to her community and supports several charities that are important to her. This year, she decided to make a large donation to her GiftPact Foundation donor-advised fund (DAF), which she planned to direct to a charity embarking on an ambitious capital campaign. Susan planned to sell investments she owned to finance the donation.

Following a discussion with her advisor, Susan learned that by directly donating the publicly traded shares she held rather than donating the cash from their sale, she could realize significant tax savings.

How capital gains and in-kind donations work

Publicly traded securities include shares, stock options, bonds, and units in mutual funds traded freely on the open market.

In Canada, the sale of securities is subject to a 50% inclusion rate (50% is taxable) on the capital gains realized from the sale of the shares. A capital gain refers to the profit the investor has made on the asset since they purchased it, that is, the proceeds of sale less the original cost of those shares (with some adjustments, known as the “adjusted cost base”).

If the investor transfers the security directly to a registered Canadian charity rather than selling, **those securities are exempt from capital gains taxation**. Additionally, the investor donating the securities will get a charitable donation receipt for the value of the shares.

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Susan's donation: cash vs. gift of securities

Susan aimed to donate $100,000 to her chosen charity's capital campaign through her GiftPact DAF. Her appreciated securities had a fair market value of $100,000 and an adjusted cost base of $50,000. She had a net annual income of over $250,000, and her other charitable gifts exceeded $200.

The following chart compares the tax outcome of Susan donating cash through the sale of shares vs. transferring them directly to a registered charity.

DESCRIPTION	SALE OF SECURITIES AND CASH DONATION	DONATION OF SECURITIES IN-KIND
VALUE OF SHARES/DONATION (A)	$ 100,000	$ 100,000
COST BASE OF SHARES (B)	$ 50,000	$ 50,000
CAPITAL GAIN ((A-B) = C)	$ 50,000	$ 50,000
CAPITAL GAIN INCLUSION RATE (D)	50% [1]	0%
TAXABLE CAPITAL GAIN ((C X D) = E)	$ 25,000	$ -
TAX ON TAXABLE CAPITAL GAIN (E X 50%)	$ 12,500	$ -
DONATION TAX CREDIT (A X 50%)	$ 50,000	$ 50,000
NET TAX SAVINGS (TAX LESS DONATION CREDIT (f))	**$ 37,500**	**$ 50,000**
NET AFTER-TAX COST OF DONATION (A - F)	**$ 62,500**	**$ 50,000**

Upon reviewing these two options, it was clear to Susan that transferring her shares to her GiftPact Foundation DAF was to her advantage, **reducing the cost of donating by $12,500**.

[1]Changes to Alternative Minimum Tax (AMT) rules in 2024 have reduced the tax efficiency of certain charitable gifting strategies, particularly donations of publicly traded securities, potentially increasing the after-tax cost of philanthropy and making it more important to review gifting plans to ensure intended tax benefits are achieved.

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Be a savvy philanthropist

How you structure your charitable gift is often just as important as the amount you give, both for the charity and for you as the donor. In-kind securities donations are a smart and tax-effective alternative to a cash gift.
If you would like to learn more about donor-advised funds and how GiftPact Foundation can maximize the impact of your charitable giving, get in touch.

GiftPact Foundation

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