

The Top 7 Mistakes Canadians Make When Donating To Charity



Keith Thomson, CFP®

Having spent over two decades as a board member of various charities, a donor, and a financial advisor with a specialty in philanthropy, I have come to identify what I see are the top 7 mistakes Canadians make when donating to charity. Although space only allows me the opportunity to discuss the first mistake please feel free to download my *Special Report* at www.philanthropymatters.ca for the remaining six.

Mistake #1 - Not understanding that your RRSP or RRIF will probably be your most highly taxed asset ... eventually. Perhaps even more important, not appreciating how these same registered

assets could be used as an extremely effective charitable gifting vehicle that is easy, involves no cost, and does not entail changing your Will.

There is little doubt that for most Canadians it is smart financial planning to contribute to a Registered Retirement Savings Plan (RRSP) and convert it to a Registered Retirement Income Fund (RRIF) when you are 71. Unfortunately, when you die, and assuming you have no spouse to whom you can transfer your registered assets, your estate could be in for a massive tax bill. Why? Because all the assets in your RRSP or RRIF will be taxed as income in the year of your death.

For many of us that means our friends at the Canada Revenue Agency will take almost half the value! Fortunately with some advanced planning, including philanthropy, you can reduce or even eliminate this tax liability.

Think making a bequest is a hassle? Getting a lawyer involved is too much time and money? Well, here's a philanthropic strategy that takes about one minute to complete, costs nothing, and involves no lawyers. Using either your RRSP or RRIF you can implement The 60 Second Bequest™ in three easy steps.

STEP ONE: Request an *RRSP/RRIF Multiple Beneficiary Designation* form from your plan administrator.

What happens to your \$500,000 RRSP or RRIF when you die?



Assumes registered assets are subject to a 46% tax bracket

STEP TWO: Complete the form naming your charity or charities of choice as one or more of the beneficiaries.

STEP THREE: Return the form to your plan administrator.

Take note: not every employee of the financial institution with whom you are dealing may be familiar with a *Multiple Beneficiary Designation* form. Rest assured that it does exist ... just keep asking until you are dealing with someone who knows where to find one.

Feel free to visit www.philanthropymatters.ca and click on the tab "The Resource

Vault" if you wish to download a sample *Multiple Beneficiary Designation* form for your reference. Or download my *Special Report* if you would like to avoid the other six mistakes Canadians make when donating to charity.

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"The only difference between the taxman and a taxidermist is that the taxidermist leaves the skin."

Mark Twain