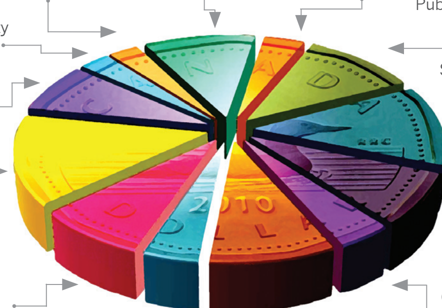
The Top 7 Mistakes Canadians Make When Donating To Charity - Part VI

Don't fail to remember as taxpayers, we are all involuntary philanthropists.

Keith Thomson, CFP®, FSCI®

In previous issues of "*Your Guide to Charitable Giving and Estate Planning*" I wrote about mistake #1 – not appreciating that your RSP or RIF will be your most highly taxed asset ... eventually. I also discussed mistake #2 – not seeking professional help. I then reviewed mistake #3 – not considering your legacy. I followed with a review of mistake #4 – focusing on the wrong metrics. Finally, I discussed mistake #5 – failing to understand how you can make your gift go farther. In this month's guide I would like to review mistake #6 - not remembering that we are all involuntary philanthropists.

> "Taxes are our way of feeding the goose that lays the golden eggs of freedom, democracy and enterprise. Someone says, 'Well, the goose eats too much.' That's probably true. But better a fat goose than no goose at all!"
>
> *Jim Rohn*



Source: Department of Finance Canada, (Fiscal Year Ended: March 31, 2014)

The Webster's Dictionary definition of a philanthropist is, "a benevolent supporter of human beings and human welfare."

But who is this person? Someone who potentially gives up approximately one quarter of his or her capital gains and/or up to roughly one-half of his or her income to support the general welfare of our country? Of course the answer is ... most of us! In other words, as taxpayers we could all be considered "involuntary philanthropists."

The chart above details how a dollar raised by government through taxation is spent.

So here's the question, "***Given a choice, is this how you would choose to donate your money?***" If the answer is "no," then perhaps you may wish to investigate how you could redirect your involuntary philanthropy, also known as tax dollars, to voluntary philanthropy. Please do not misunderstand me, I realize that taxes are absolutely necessary and I fully appreciate the fact that if it were not for the taxes we pay, Canada would most certainly not be the wonderful country it is today. However, it goes without saying that many of us would like the option of redirecting a percentage of our involuntary social capital to those causes that are important to us.

This approach is significantly different between traditional estate planning, with its focus primarily on the money, and what I feel is a more effective approach, which is driven by life's most important treasures: relationships and values.

Fortunately, our government encourages this type of approach. How do we know this to be true? Because Ottawa provides incentives to encourage activity in certain sectors of the economy. As an example, if our government wishes to increase real estate ownership it allows a number of tax breaks for the purchase, ownership and sale of this asset class. In much the same way, since 1996, in order to encourage philanthropy it has introduced into our Income Tax Act over 20 incentives to facilitate giving. This has now created what many would argue is the most generous tax environment to promote charitable activity in the world today. If this type of voluntary philanthropic planning, with its focus on relationships and values resonates with you, I would encourage your family to seek out a financial advisor with a specialization in charitable planning and investigate the numerous strategies that could also help you to focus on what is important and significant to you.

For details on the remaining six mistakes Canadians make when donating to charity, please feel free to download my **Special Report** at:
www.philanthropymatters.ca

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