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Mark Halpern, CFP, TEP, MFA-P



## THE ACCIDENTAL PHILANTHROPIST MARK HALPERN


# Family Values: A Letter You Can Share

BY MARK HALPERN, CFP, TEP, MFA-P

It's been another crazy COVID year, with so many of us anxious to resume family gatherings, large and small, and take vacations to exotic locales.

As we await a return to 'normal', this is a time when parents and grandparents can at least get together on zoom and chit chat about the family, share the stories that form the fabric of family history and values, and hopefully discuss the family legacy through charitable giving, strategic philanthropy, and ways to "give back." Holiday season is an especially auspicious time to have that conversation.

I was asked to pen a letter that non-profits and professional advisors could share with their donors and clients as a "reminder" of what can be done to maximize impact and minimize taxes. I hope you enjoy my "letter" below and that it helps to spark more current and planned legacy giving activity. Please edit, cut and paste to your taste.

I hope you find this letter to be useful and practical. 

Please visit [WEALTHinsurance.com](https://www.walthinsurance.com)

Mark's inspiring corporate goal is the creation of \$100 million in legacy planned gifts annually by helping affluent families, charities, foundations, and working with like-minded professionals helping people convert taxes to charity.

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**MARK HALPERN** is a well-known CFP, TEP, MFA-P is a Certified Financial Planner, Trust & Estate Practitioner, Master Financial Advisor – Philanthropy. He was honoured to speak in the Disruptors Category at Moses Znaimer's most recent ideacity conference. His talk generated high interest and comments. Watch "The New Philanthropy" at [bit.ly/MarkHalpernTalk](https://bit.ly/MarkHalpernTalk). Learn more at [www.walthinsurance.com](https://www.walthinsurance.com). He writes this column exclusively for each issue of *Foundation Magazine*.

Dear Friend,

Hope you and your family are well!

Any time your entire family gets together, particularly during the holiday season, is an excellent opportunity to inspire future generations. And while thoughts of charitable giving come to mind, you should remember that proper estate planning and investing in good causes does good for others while preserving family wealth.

A discussion of finances can also provide peace of mind to parents and grandparents, knowing their financial affairs are well organized and they won't run out of money. That important information should be communicated to the chain of family members who will replace them as patriarchs and matriarchs for the next generation.

Most successful people we meet have "never spend money" – funds they do not need to pay their bills or support their lifestyle, money that just gets taxed, reinvested and re-taxed for the benefit of the next generation. We call that the "Tax Grind".

As the 'custodians' of that wealth, they can choose to share it with the tax department or preserve it for the family by supporting the causes they are passionate about. That's when they can become "Accidental Philanthropists".

If your family is in that fortunate position, now is the time to start thinking about the kind of legacy you want to create with those funds.

Many people donate to charitable causes to affirm their own values, like compassion for those in need, or a personal connection to a specific charity or cause.

Whatever the reason(s) for giving, there are many ways to be generous, including a gift in your will, also known as a bequest, where you name a charity as a beneficiary. You can designate a charity as the beneficiary of all or part of your RRSP or RRIF, or donate appreciated marketable securities, or buy and donate a tax-exempt Life Insurance policy.

No two situations are the same and there are no cookie-cutter solutions. All the moving parts will work in harmony if coordinated by your professional advisors as part of your estate plan, allowing you to be both philanthropic and tax advantaged.

Most Canadians who donate to charity use cash, credit cards or a cheque. In truth, those are the least cost effective or tax-efficient ways to be philanthropic (Contact us for a copy of our report "More Than 20 Ways To Be Generous" and share it with your donors and clients).

One great strategy uses appreciated marketable securities such as stocks, mutual funds, ETFs, etc. Sadly only 5,000 Canadian taxpayers have used this strategy endorsed by the tax department to make it easier to give. If you invested in the stock markets over the past 10 to 20 years, you undoubtedly have some securities that have gone up in value and they can be the bedrock of your philanthropic goals.

Let's say you bought common shares in ABC Company. When you bought them 10 years ago, they cost you \$5,000 but now they're the hottest thing in town and worth \$15,000 – a capital gain of \$10,000. If you sold those shares, you would pay taxes on your \$10,000 capital gain of approximately 27 percent or \$2,700. That means your shares are really worth only \$12,300 and not \$15,000.

By donating these shares directly to your preferred charity, you will get a charitable tax receipt for \$15,000 and pay no capital gains tax! The receipt alone will save you around \$7,500 of tax and more importantly you will be helping the charities you care about.

You can also set up what's called a donor-advised fund (DAF) that allows charitable people to enjoy full tax benefits for their contributions to charity without having to disburse any money right away. By donating the shares, the capital gains tax is eliminated, and you would receive a charitable tax receipt for the entire market value that goes into the DAF. In turn, that donation helps to lower your general taxes and you now have a fund to disburse throughout the year to any registered charities in Canada.

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**TAX TIP:** *Eliminate the taxes you know will due next April. Deposit twice that amount in your DAF before Dec 31st and retain all those funds to be distributed at your discretion.*

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Donating personally gives you about a 50 percent tax savings. You can get an even bigger bang for your buck by donating funds through your corporation and enjoy a 100 per cent deduction. A corporation donating appreciated marketable securities doesn't have to pay capital gains tax and the profits that would have been taxable, can now be withdrawn from the company on a tax-free basis through the Capital Dividend Account (CDA).

*Continued...*

Then there's Life Insurance. Normally thought of as a financial safety net when a spouse passes away, there are many other ways to use Life Insurance now, especially for philanthropic reasons.

Take this example of how a person can benefit from Life Insurance while they are still alive.

People who buy term insurance may become uninsurable after the policy has been issued. Many term insurance policies can be converted to permanent insurance with no medical evidence required. In most cases, the new permanent insurance is more expensive and paying the higher premiums can be a challenge.

Charitable people can get an actuary to value their policy and then donate that policy to a registered charity or foundation. They will receive a charitable receipt that will offset current taxes. (Beware of the 3 year and 10 year redeeming provisions - so speak to a professional before doing this yourself).

Depending on the age of the insured, a charity might consider funding that policy itself, knowing that a much larger benefit will be received when the person passes away. Many charities are delighted to recognize a donor's gift of Life Insurance while they are alive.

Many people mistakenly assume they must be a Bill Gates or Oprah Winfrey to make a financial difference to a worthy cause or that they must leave all their money to charity in order to make an impact. Major donors have indeed supported many worthy causes and you too can make a charitable gift that matters.

Donating to causes you care about benefits the charities and can be deeply rewarding for you too. Supporting the causes, you believe in has a positive affect on donors' lives and their families.

To many people, having the power to improve the lives of others is a privilege and one that comes with its own sense of obligation.

Sharing the experience with your children or grandchildren teaches them that they too can make positive changes. It's this kind of inspiration that will stay with them for years to come and one they will hopefully share with their own children.

Family, friends and colleagues will also be encouraged to be generous and thoughtful and eventually filter these qualities down to their children as well.

A variety of philanthropic strategies can be used to convert taxes into charitable dollars, creating transformational gifts.

We live in a great country, and we all know the importance of paying taxes – but there is no need to pay any more than what's legally required.

In fact, the federal government has introduced 25 different pieces of tax legislation since 1995 to make giving easier for people.

Proper planning now will ensure that you meet the legal requirements and maximize the value of your estate. Your personal strategy can facilitate wealth transfer to your family and leave your mark by supporting your favourite charity now – or bequeathing a substantial amount as a future gift.

The last 2 years have been extremely difficult for most Canadians, especially those who watched family or friends fall ill (or worse) with COVID-19. We've seen our children and grandchildren stuck at home when they would rather be at school or at work. Friends and family members were forced to shutter businesses during government-imposed lockdowns.

Many of us feel frustrated in our inability to do much about this. But no matter the illness, project or situation, being able to donate to help others is a blessing and a privilege not available to everyone.

May the New Year bring health, wealth, and happiness to all of us.  
All the best,

INSERT YOUR NAME HERE  
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