

Offerings



A Lutheran Planned Giving Newsletter

Fall 2000

Donating Investments

Are you missing out on a way to make a donation to your church and cut the income tax in half at the same time?

The 1997 federal budget announced that, for a trial period expiring at the end of 2001, capital gains taxes on gifts of “listed securities” would be reduced by half. Listed securities include stocks, bonds and units of mutual funds that are publicly traded on a major stock exchange. The 2000 budget reduced the taxable portion of capital gains, so the advantage from these gifts is now greater than ever. It also extended a similar benefit to gifts of shares acquired through the exercise of employee stock options.

When a person sells or donates property that has grown in value, tax rules require the

calculation of the capital gain. This is the difference between the original cost and the current market value. Normally, 2/3 of the gain must be included in income and is taxed at prevailing rates. But when investments are donated to charity, **only 1/3 of the gain is taxable.**



From a tax point of view, it's better for a donor to donate these securities than to sell them and donate the same amount of cash. Donating the securities would create addi-

tional tax savings equal to approximately 8-16% of the capital gain, depending on the donor's tax bracket.

Many Canadians are making special charitable gifts of this kind. A survey recently published by Deloitte and Touche reported that in 1999 large

charities received almost 14% of their donations in the form of securities. This percentage has increased every year since the measure was introduced in 1997.

Remember, to take advantage of this special provision **you must make your donation by December 31, 2001.** And the transaction must be a transfer of the shares or units themselves — not a sale. For more information, call your investment advisor or Lutheran Planned Giving.

For details on how the tax calculation works, please see page 2.

In this issue...

Gifts of Securities How the Tax Calculation Works	2
The Lighter Side	2
Help is Close at Hand	3
Children and Wills	4
Let Us Know	4

Gifts of Securities

How the Tax Calculation Works

Mrs. Weber owns shares in a Canadian company, purchased for \$4,000 some years ago but worth \$10,000 today. We will assume that she is in the 50% tax bracket. She wants to

make a planned gift and is trying to decide whether to give the shares to her church or sell the shares and give the same amount in cash.

These facts are the same in both scenarios:

Market value of shares	\$10,000	
Cost basis of shares	4,000	
Capital gain realized	6,000	
Donation receipt from church	10,000	<i>(Fair market value)</i>
Donation tax credit	5,000	<i>(50% of \$10,000)</i>

If Mrs. Weber sells the shares and donates the cash, her situation is as follows:

Taxable capital gain	\$4,000	<i>(66.66% of \$6,000)</i>
Tax on gain	2,000	<i>(50% of \$4,000)</i>
Net tax reduction	3,000	<i>(donation credit minus tax on gain)</i>

If she donates the shares themselves, her situation is:

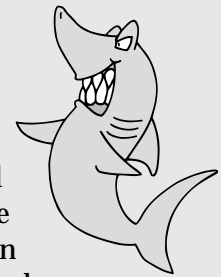
Taxable capital gain	\$2,000	<i>(33.33% of \$6,000)</i>
Tax on gain	1,000	<i>(50% of \$2,000)</i>
Net tax reduction	4,000	<i>(donation credit minus tax on gain)</i>

Mrs. Weber would save \$1,000 more in income tax by donating the shares instead of the cash from the sale of the shares (\$4,000 net tax reduction vs. \$3,000). Her church would be free to hold the shares as an investment or sell

them for cash.

Not everyone has \$10,000 in shares they can donate, but anyone fortunate enough to own investments that have grown in value can take advantage of this opportunity.

The Lighter Side



An atheist is swimming in the ocean. All of a sudden he sees a shark fin in the water, so he starts swimming furiously towards his boat, quite a distance away. He's scared to death, and as he turns to see the jaws of the great white beast open, the atheist screams, "Oh God! Save me!" In an instant, time is frozen and a bright light shines down from above.

The man hears the voice of God say, "You are an atheist. Why do you call upon me when you do not believe in me?"

Aghast with confusion and knowing he can't lie the man replies, "Well that's true I don't believe in you, but how about the shark? Can you make the shark believe in you?"

The Lord replies, "As you wish," and as the light retreats back into the heavens the atheist can feel the water begin to move once again. Looking back, he sees the jaws of the shark start to close down on him, when suddenly the shark stops and pulls back.

Amazed and relieved at his delivery from a certain death, the man watches the shark close its eyes, bow its head and say, "For this food which I am about to receive . . ."

Help is Close at Hand

The administrative office of Lutheran Planned Giving is in Burlington, ON, but LPG has a local presence across Canada. Trained counsellors are standing by in each synod to help congregations and individuals with their gift planning needs. If you would like to have a planned giving presentation in your congregation, call your synod office or Lutheran Planned Giving.

Check this list for the LPG counsellor nearest you:

BC Synod
(604) 524-1318

Vern Krienke *Vernon, BC*

Jorgen Munck *Chilliwack, BC*

Ivo Saarni *Vancouver, BC*

Doug Wedman *Sidney, BC*

ABT Synod

(780) 439-2636

Mary Broen *Camrose, AB*

Wally Cook *Bentley, AB*

Fred Kern *Calgary, AB*

Luther Lerseth *Provost, AB*

Phil Lokken *Slave Lake, AB*

Don Nielsen *Red Deer, AB*

Saskatchewan Synod

(306) 244-2474

Vivian Broberg *Archerwill, SK*

Kelly Hogan *Outlook, SK*

Ed Miller *Wilcox, SK*

Gary Rusu *Saskatoon, SK*



MNO Synod

(204) 889-3760

Norm Coull *Winnipeg, MB*

Dave Leisle *Winnipeg, MB*

Arnie and Marlene Schlippert
Winnipeg, MB

Eastern Synod

(519) 743-1461

Jim Diebel *Hanover, ON*
(888) 640-9461

Jeff Pym *Burlington, ON*
(888) 308-9461

Offerings is a publication of Lutheran Planned Giving, a ministry of the Evangelical Lutheran Church in Canada. Lutheran Planned Giving does not provide or purport to provide legal or tax counsel. We urge our readers to consult with and rely upon the opinion of qualified legal, tax and financial advisors before implementing any of the ideas described in this publication.

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Children and Wills

People sometimes say, "I can't leave anything to the church in my will; I've got children to look after." For every person who says this out loud, there are probably dozens who have a similar concern.

Most parents feel that taking care of their children's needs is their number one priority, and who would disagree? Even though our children grow up and leave home, our concern for their well-being does not diminish. When our kids marry and have kids of their own, we start to think of how we can help our grandchildren.

But leaving a gift to the church need not mean disinheriting children, grandchildren, nieces or nephews. Stewardship means exercising proper care over all the resources God has entrusted to us. Does God expect us to care for the friends and family we love? Of course. It's a question of finding the right balance.

One factor in that balance is the age of the children at the time of the donor's death. Small chil-

dren have greater needs and for a longer time. Teenagers need an education; young adults may need help buying a first house. Lawyers can provide language in a will that makes appropriate provision for age and special circumstances.

But in Canada, today's forty year-olds have a statistical expectancy of living into their eighties. By the time they die their children may be over fifty! Most children in their fifties don't need the same kind of financial help as they did in their twenties.

Another factor is distinguishing needs from wants. One donor expressed it this way: "I've been a tither all my life and I've tithed in my will too. Ten percent of my estate is going to the church, and the rest is divided among my kids. If they don't think ninety percent of my estate is enough, too bad — they probably wouldn't be happy with one hundred percent either."

Whatever way you choose to divide your estate, remember the mathematics of charitable giving. Out of every dollar you donate to the church, up to fifty cents comes back in the form of income tax credits. So if you leave ten percent of your estate to the church, your other heirs will still share roughly ninety-five percent of the total, thanks to the tax credits.

Finally, it's a good idea to discuss your will with your children. For one thing, this may avoid surprises and difficulty later on. It's also an opportunity to tell your children why you've done what you have, and why the work of the church is important to you. Think of it as another chance to talk about your faith.

By all means, take care of your loved ones as you draw up your will. But please remember the church too.



Let Us Know

If you:

- have a comment, question or quibble;
- need more information;
- want to share a story or tell us about your gift

You can reach us at:

Lutheran Planned Giving
1-888-308-9461
lpg@worldchat.com

If you received more than one copy of this newsletter, please pass a copy on to someone who might appreciate the opportunity to learn more about planned giving.