

Maximize Giving: Donate Converted Flow-Through Shares

Once your flow-through LP units convert to shares of the mutual fund, they become qualifying securities for charitable donations. As an investment, these flow-through LP units have considerable tax advantages – and these advantages are maximized when they are converted to shares of the mutual fund and used as charitable donations.

The Government of Canada encourages investors to support resource companies in their exploration efforts by allowing investors in flow-through shares to deduct the cost of the flow-through shares.

When investors use the mutual fund shares (received from flow-through LP units being converted to mutual fund shares) to make a donation to their Canada Gives Personal or Family Foundation account, they receive the additional tax benefits attributed to charitable donations of securities in-kind. Your Personal Foundation, in turn, receives an extremely significant contribution, enabling you to provide annual funding to the charities of your choice. This is truly maximized giving and benefits everyone involved.

Benefits of Purchasing Flow-through Shares and Donating Mutual Fund Shares at Conversion.

1. Tax deduction against earned income on purchase of shares.
2. Tax credit on total charitable donation.
3. Elimination of capital gains on converted flow-through-shares donated in-kind to a registered charitable organization or foundation like Canada Gives.

DONATING MUTUAL FUND SHARES RETAINED FROM CONVERTED FLOW-THROUGH SHARES: AN EXAMPLE

	Market Value Declines by 20%	Market Value Unchanged	Market Value Increases by 20%
A Initial Investment of flow through shares	\$100,000	\$100,000	\$100,000
B Tax Benefit* on Share Purchase	\$45,000	\$45,000	\$45,000
C Value of Donation (Fair Market Value at Donation Date)	\$80,000	\$100,000	\$120,000
D Tax Credit* on Donation	\$36,000	\$45,000	\$54,000
E Total Tax Benefit	\$81,000	\$90,000	\$99,000
F After-Tax Cost	\$19,000	\$10,000	\$1,000

* Based on the highest marginal tax rate estimated at 45%. Rates vary by province.

Please note: The chart is provided for illustrative purposes only. The information herein is not intended to be a definitive analysis of tax, trust or estate law. In particular, this information does not consider possible federal minimum tax implications. Professional advice regarding an individual's tax and legal position should be obtained.

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Here's How It Works

- 1. Open your Foundation Account** by completing the Foundation Account Application form, available through your advisor or directly from Canada Gives.
- 2. Make a donation with your mutual fund shares** and start building a personal or family Foundation at Canada Gives. You can make an initial donation of \$25,000 or more and add to it anytime you wish. Simply list the number of mutual fund shares you wish to donate, list the charities you wish to support and name your Foundation.
- 3. Send the completed form to Canada Gives** and we will take it from there! Canada Gives will give you a tax receipt and your Foundation will become active.
- 4. An investment account will be opened by Canada Gives** with your own advisor to manage the donations that you have directed as endowment gifts.
- 5. Canada Gives will report** to you regularly and calculate the amount of grant money available every year for distribution to charities. You select the charities you wish to receive the grants and Canada Gives processes the gifts.
- 6. Additional donations** to your Personal or Family Foundation account can be made anytime.

About Canada Gives

Canada Gives is a registered charity and operates as an independent public foundation. A Canada Gives Foundation account offers a less costly and far less complex alternative to establishing a private foundation by acting as a “host” foundation to donors. Canada Gives was designed to work with donors who are interested in setting their own philanthropic objectives and bringing their own priorities to their charitable giving.

For more information on Canada Gives and its services, please contact Denise Castonguay, Executive Director:

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