



Wealth Management
Dominion Securities



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Charitable Donations of Securities: Tax-Efficient Giving Strategies

Give back while reducing your tax burden

Planning to make a charitable donation but want to maximize the tax benefit? Consider donating appreciated securities instead of cash. This strategic approach allows you to support causes you care about while improving your personal tax situation.

The government encourages charitable giving through tax credits, but savvy donors can access an even more powerful benefit: when you donate appreciated marketable securities (such as publicly traded stocks, mutual funds, government bonds, or trust units) directly to a registered charity, the capital gains on those securities are tax-exempt. Combined with the donation tax credit, this can result in substantial savings.

When This Strategy Works Best

This approach is particularly valuable if you:

- Have investment positions that have appreciated significantly but no longer align with your investment objectives
- Hold return of capital (ROC) products like T-series mutual funds with low adjusted cost bases
- Are in a high marginal tax bracket and planning a substantial charitable donation
- Want to rebalance your portfolio while giving to charity

How It Works

Securities must be transferred "in-kind" directly to the registered charity's brokerage account. The donation value is based on the security's fair market value on the date of receipt—typically the closing price. Most charities sell the security immediately to realize its value.

Real-World Example

A Canadian taxpayer in the highest marginal tax bracket (\$285,000 taxable income) donates 500 shares of ABC stock worth \$25,000 (originally purchased for \$10,000):

	Donate Securities Directly	Sell & Donate Cash
Fair market value	\$25,000	\$25,000
Adjusted cost base	\$10,000	\$10,000
Capital gain	\$15,000	\$15,000
Taxable capital gain	\$0	\$7,500
Tax liability	\$0	\$4,013
Donation tax credit	\$13,308	\$13,308
Net cost of donation	\$11,692	\$18,371

Result: Donating securities costs 36% less than selling first.

Key Considerations

- Must donate to a registered charity; verify the CRA charity registration number
- Greatest benefit when donating positions with the highest embedded gains
- Strategy is most impactful during high-income years
- Can carry forward unused donation credits for up to five years
- Donations in the year of death can be carried back one year

Next Steps

- 1 **Speak with your accountant** to understand your estimated tax bill and donation capacity
- 2 **Review your portfolio** with your advisor to identify securities with the largest unrealized gains
- 3 **Confirm the charity** accepts in-kind donations before proceeding
- 4 **Include this in your year-end tax planning** routine

Charitable giving becomes more efficient when you consider both what you donate and how you structure the gift. By donating appreciated securities directly, you eliminate capital gains tax while claiming the full donation credit—a win for your community and your tax situation.