

# Charitable Foundation



## SUMMARY

1. What is it?
2. Advantages
3. Disadvantages
4. Who is it for?

**You can get back up to 44 cents for every dollar donated to the foundation**

## What is it?

A charitable foundation is a not-for-profit corporation that is a registered charity. It is typically controlled by a single donor or family through a board of directors where the majority of directors are unrelated.

These foundations are tax exempt and can issue official donation tax receipts. While a foundation must operate exclusively for charitable purposes, it can use its resources to operate its own charitable programs or make donations to other registered charities.

## Advantages

- Ability to claim a large immediate tax credit for 100% of the donation.
- The foundation is typically only required to distribute 4% of their assets each year, meaning 96% of the assets can be held and invested within the foundation.
- Any income accumulated from the foundation is tax exempt.
- Family members (such as your spouse and children) can get involved as donors, trustees, directors or even as employees of the foundation.
- Direct involvement with how the money is invested/disbursed
- Control over the foundation provides flexibility in case your charitable desires change or new needs evolve
- Provides the opportunity to create a lasting legacy with continued support for a cause that is important to you
- Tax savings (You can get back up to 44 cents for every dollar donated to the foundation)
- You can only claim a tax credit for up to 75% of your net income but any unused donations can be carried forward for up to five years.

## Disadvantages

- Costs involved (setup costs, legal and accounting fees, annual fees for tax filing, audited financial statements and issuing tax receipts)
- Your children and family members may not share your passion for the cause you support and they may not want to carry on the foundation after your death.
- Time investment – founders will need to set aside time to assemble a board, articulate how and when funds will be invested, among many other key decisions.
- Lack of privacy (The CRA discloses to the public information about your foundation and the audited financial statements)
- Any contribution made to the foundation cannot be returned to the donor

## Who is it for?

- High-income individuals who are financially sound and looking to share their good fortune
- Wealthy families who want to create a lasting legacy with continued support for a cause that is important to them

**For wealthy families who want to create a lasting legacy with continued support for a cause that is important to them**

