

Lending Your Support: Let George Do It!

The following letter might be a first step in interesting an annual donor in converting her annual gifts to an interest-free loan, repayable on demand, that would reduce her taxes and possibly result in an important gift at death.

The concept is for the donor to make a loan large enough (20 times her usual contribution) to replace her annual gift in the future. The arrangement appeals to those (1) who don't want to make an irrevocable gift because they may need their principal and (2) those who annually contribute the maximum amount creditable. The loan should be made to the charitable organization but not to its foundation because foundations cannot incur debt.

Dear Mrs. Smith:

When you are making your annual contribution to ABC Charity, do you ever wonder "What if?" George is a very successful officer and his very generous gifts are computed for the benefit of ABC Charity. Recently one of our members told us that he would like to let George do his annual contributions.

Annual request? Our friend pointed out that his gifts to us are generated by interest he receives on GICs. His GIC interest gets taxed, however, even though it goes to a tax-exempt organization.

Question: Can he place some GIC funds (upon maturity) with George, let ABC Charity earn the amount of his annual gifts and thus cut out the middle man (ie .the Canada Customs and Revenue Agency)?

The answer is "yes." If his annual gift is \$500, he might lend us 20 times \$500 or \$10,000. If George can earn as little as 5 percent it will cover our friend's annual gifts, year after year. If he wishes, he can leave the funds on deposit after death and his annual support will continue, in theory, forever! But he can always take back the funds, for any reason, at any time, during his life.

In future years our friend will save hundreds of dollars in taxes. Why? Because he is not taxed on the interest that George earns and gives to ABC Charity in his name.

This idea has special appeal for friends who may already be contributing 75 % of their net income to various charities. Although they are taxed on all income, they receive no credit for gifts in excess of the 75 % limit. With an interest free loan, they are not taxed on the investment earnings paid to the charity.

We would continue to recognize you for your annual contributions and you may also become a member of our Heritage Society membership depends who have provided for ABC Charity in their estate plans.

Will you be able to help me with this? I will fill out an application enclosed response card of the self-addressed envelope would be pleased to meet with you at 01-463-4854.

Sincerely,
 Gift Planning Officer

(Note: Money can be loaned to a registered charity but not to a foundation.)

Please return this card in the enclosed envelope.

Dear Friends at ABC Charity:

- Please contact me about the possibility of making an interest-free loan to ABC Charity.
- I have included ABC Charity in my estate plans.
- Please send me information about the ABC Heritage Society.

Name: _____

Address: _____

City: _____

Province: _____ Postal Code: _____

Phone: _____ Email: _____

Mail this form to: ABC Charity, 123 Main Street, Anytown.