

Private Foundations: Philanthropy on your terms

Four examples to consider

Client story #1: Setting up a Private Foundation is not as complicated as you think with help from BMO's experts

Vish, an entrepreneur, came from a humble background and was the first in his family to attend university. He had generously supported the local hospital and some universities in his province, but it was suggested by his BMO Financial Professional that he may wish to establish a private foundation which would allow him to enjoy his philanthropy in a more measured way. A meeting with Marvi Ricker, Vice President and Managing Director of Philanthropic Services, was arranged to explore the idea.

Marvi explained to Vish what a private foundation would entail. He was impressed by how easily and quickly a foundation could be created and he liked the idea of having control over the management of the assets and granting. However, before committing to create a foundation, Vish wanted his prospective foundation directors and accountants to learn about philanthropy, the responsibilities they would be taking on and the benefits to his establishing a foundation. Marvi conducted a seminar for the group.

Within a couple months of Vish deciding to proceed, his foundation was incorporated as a non-profit organization and registered as a charity with Canada Revenue Agency (CRA). In the meantime, Marvi conducted one-on-one interviews with him and his family members to identify their values, aspirations and charitable interests, culminating in the creation of a mission statement. A granting strategy was developed to enable the foundation to meet its goal of supporting outstanding university programs.

Vish donated to the foundation qualifying publicly-traded securities with a book value of approximately \$800,000 and fair market value of \$2.5 million. He received a charitable tax receipt equal to the fair market value of the securities donated which was available to be used as a donation tax credit against his taxes owing in the year (or in a future year). One of the advantages of this donation strategy was the enhanced tax savings realized. By donating the appreciated

securities directly to the foundation, the capital gains tax otherwise realized upon the sale of those securities was eliminated.

One of his directors was so impressed with how easily a foundation could be created and how little work was involved in its operation that he decided to create a family foundation as well.

Client story #2: Family philanthropy goes beyond the borders of Canada

Frank had developed computer software very useful in real estate law. When a major IT company bought his technology, he determined he would use a large portion of the funds 'to give back'.

He had already established a donor advised fund (DAF) the previous year at his local community foundation and debated whether to donate a significant amount to the DAF or to create a private foundation. Frank decided in favour of the private foundation because of the greater flexibility and control accorded to him - he could grant any amount in a private foundation versus the limits imposed by a community foundation as well as have control over the management of the assets which is not possible in a community foundation.

Being charitable had always been important to him and his family, and together they decided to focus on human rights projects. One of their daughters had recently spent the summer travelling and working abroad and became very familiar with the problems and needs of recent immigrants. Therefore, it was decided that some funding would be directed to organizations that focused on these needs via an organization working in the region and already recognized by the CRA.

As the foundation grew its assets to \$10 million, it became desirable to have some part-time granting and administrative staff. One daughter, who was at home with a new baby, took on the role of program officer for the foundation: scouting out good projects for the foundation to support, monitoring the grants made, and evaluating the foundation's progress against its goals.

Client story #3: Building a family foundation gradually over time

Doug and Sarah are professionals with a combined annual income of over \$1 million; consequently, the family has more than enough income to cover their needs. In fact, the couple are concerned about their young children growing up with too much expendable wealth at their disposal.

They have always given to a number of charities but have begun to wonder if it would be better to focus giving so that the family, specifically their two young children, could see the impact of their giving on an issue that is important to them. They wanted their children to learn about the value of giving money, in addition to spending it.

Their family foundation was created with a donation of publicly-traded securities company shares with a market value of \$250,000. Every year they plan to add at least that amount to the foundation and to grow it to a few million dollars. On retirement, Doug and Sarah plan to dedicate their time and expertise to growing the foundation to a considerable size, as well as to making an impact on their shared passion – education of girls in Africa. Doug and Sarah look forward to the day that their children can have an active role in the foundation they have built.

Client story #4: Creating a foundation to establish a legacy for a loved one

When Johanne's husband died, she decided to create a foundation to honour his memory and to continue his work. He had been a history professor with a particular interest in the history of political thought and contemporary political philosophy.

Johanne wanted to create scholarships for graduate students at the two universities with which her husband had been associated. The funds would be held in the foundation and each year the revenue earned on the assets (about \$2 million) would be awarded to students, selected by the universities, who were doing outstanding research in political thought and philosophy.

Unlike most clients who choose to establish a family foundation in a corporate structure, Johanne and her husband had no children who could serve as directors and carry on the work of the foundation. Consequently, the foundation was created as a trust, with BMO Trust Company serving as a trustee, along with a few friends and advisors chosen by Johanne. The foundation is intended to last in perpetuity or until the trustees decide to wind it down by giving the remaining assets to the two universities.

 BMO's philanthropic advisors can serve as a guide on how to use your wealth to make a positive impact on organizations you care about. Our advisors work with you to design a long-term strategy that may significantly reduce your estate taxes and further the work of causes you support. We can help structure your giving to enhance its value for the recipients, while also generating tax advantages for you and your family. We can also manage all aspects of major gift administration.

For more information, speak with your BMO financial professional.



We're here to help.™

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