



Gift of Securities Information Sheet

Overview

Current tax rules make it very attractive to donate gifts of publicly traded securities to a charity like Armagh. As of May 2, 2006, federal legislation exempts appreciated securities from capital gains tax if they are donated directly to a charity. This applies to all gifts of stock (equities), bonds, futures, options and mutual fund units.

The following information can help you decide if making a gift of securities to Armagh is right for you.

Advantages of Gifts of Securities

- **Completely eliminate your capital gains tax.** When you sell publicly traded securities, you must pay capital gains tax on 50 per cent of the increase in value since you bought them. However, if you donate these same securities directly to Armagh, you won't pay any capital gains tax.
- **Receive a charitable tax receipt for the full market value of your donated securities.** The charitable tax receipt you receive from donating your securities will help you reduce the taxes owed on your other taxable income. Donations in excess of your annual limit (i.e., an amount that equals your net annual income) may be carried forward for up to five years. The amount of your tax receipt for your gift of securities will be based on the donated security's bid value at market close on the date the gift is received by Armagh.
- **Get tax benefits for your estate for gifts of securities in your will.** Your estate will receive a charitable tax receipt for all donations of securities made through your will. This can help reduce the taxes on your estate in the year of your death. If the donation exceeds your limit, your executor can claim the balance against the year preceding your death.

There are other circumstances where a gift of securities can offer even more benefits. However, every situation is different; therefore, please consult with your tax, financial or legal advisor to determine if any of these methods would be advantageous to you:

- **Stock Options:** If you're considering using employee stock options to make a gift, exercise the options and transfer the shares within 30 days *and* within the same calendar year. There will be no capital gain and no taxable employee benefit.
- **Private Company Shares:** If you're a shareholder in a privately held company, you may wish to consider donating private shares. Private shares require a special evaluation process to determine their value for tax receipting purposes; therefore, please contact Armagh before starting the process to donate these shares.

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- Private Holding Company: If you have appreciated stocks held within a private holding company, you can make the donation of stocks directly from the holding company. Your corporation will receive a tax receipt for the market value of the securities, which will be a deduction for your corporation. The capital gains tax will be completely eliminated, and the capital gain that is eliminated will be credited to the corporation's capital dividend account (CDA). Any balances in a corporation's CDA can be withdrawn tax-free to the shareholder. While everyone's situation is different and donors must consult with their tax advisors, the donation of shares through a holding company may provide substantial savings over donating shares personally due to the credit to CDA and potential for tax free withdrawals from the corporation.

Before You Donate Your Securities

Please contact Armagh before making any gift of securities. We will provide you with the information you and your broker need to make your donation as easy as possible.

Independent Counsel

Armagh will provide you with information and assistance to make a gift of securities. However, the ultimate responsibility regarding evaluations, tax deductibility, and/or similar legal local, provincial or federal compliance issues rests with you and/or your counsel.

All donors are encouraged to seek independent financial and legal counsel when executing wills, trusts, contracts and other agreements.

Contact Information

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