



**Vincent Bélanger**  
Financial Planner  
Phone : 514 637-7114, ext. 238  
Toll Free : 1 888 637-7114, ext. 238  
vincent.belanger@desjardins.com  
Financial Planner and  
Mutual Fund Representative for  
Desjardins Financial Services Firm Inc.



**Charlène Poirier**  
Personal Finance Advisor  
Phone : 514 637-7114, ext. 237  
Toll Free : 1 888 637-7114, ext. 237  
charlene.p.poirier@desjardins.com  
Mutual Fund Representative for  
Desjardins Financial Services Firm Inc.



**Alain Beauvais**  
Personal Finance Advisor  
Phone : 514 637-7114, ext. 242  
alain.beauvais@desjardins.com  
Financial Planner and  
Mutual Fund Representative for  
Desjardins Financial Services Firm Inc.

Caisse Desjardins Lachine/Saint-Pierre  
1625 Notre-Dame Street  
Lachine (Quebec) H8S 2E5  
Phone : 514 637-4691 or  
Toll Free : 1-888-637-7114  
Fax : 514 637-9060

# NEVER THINK NEVER

Volume 2 - No. 4

The winter issue of our Never Think Never financial newsletter is dedicated to asset transfers. Will you opt for estate planning or for an inter vivos transfer? No matter what your decision, we have all the resources to help guide you through this important stage in your life.

## Planned Giving

### Benefit from your Donations!

Did you know that you can contribute to the future of charitable organizations while earning tax benefits at the same time?

#### Cash donations

For fiscal 2007, all cash donations entitle the donors to a tax credit of:

- 15.5% of the first \$200 and 29% of the remainder, for federal tax purposes, and
- 20% of the first \$200 and 24% of the remainder, for provincial tax purposes.

Let's say that a donor gives \$1,000 in cash to the XYZ Foundation, a duly registered charitable organization. The tax credit that can be claimed is as follows:

Tax Credit		
<b>Federal Income Tax</b>		
15.5% of the first \$200	15.5% x \$200	\$31
29% of the remainder	29% x \$800	\$232
		<b>\$263</b>
<b>Provincial Income Tax</b>		
20% of the first \$200	20% x \$200	\$40
24% of the remainder	24% x \$800	\$192
		<b>\$232</b>

As you can see, the tax credit increases with the value of the donation. However, the amount of eligible donations cannot exceed 75% of your net income (except in the year of your death). If ever your donations exceed the 75% limit, you can carry the surplus over for a period of up to five years.

You are allowed to accumulate receipts for up to six years. If your spouse also makes donations, you can combine your receipts to include them in either your tax return or your spouse's.

#### Donations of Goods or Property

Of course, most donations are in the form of money. But if you would like to donate goods or property, they need to be assessed by an independent expert, who will set the current market value (or fair market value). It is this fair market value that will appear on the official receipt written by the XYZ Foundation for use in calculating your tax credit.

Now, from the time you bought the item to the time you gave it to the Foundation, it may have increased in value, which means that the fair market value may be higher than its initial purchase price. The difference constitutes a capital gain that you will have to declare, and 50% of this gain becomes taxable. However, the annual 75% limit on your net income, mentioned above, will then be increased by 25% of the taxable capital gain generated.

Furthermore, as of May 1, 2006, if your donation is in shares of a stock-market listed company, the capital gain is not subject to taxation.

Similarly, if the property to be donated is categorized as a cultural item and is recognized as such by the Canadian Cultural Property Export Review Board, the capital gain escapes the taxman altogether! The Review Board will determine the fair market value of the item for the purposes of calculating your tax credit, and the 75% net income limit will no longer apply.

Come meet with us today.

**Desjardins experts – here to advise you!**

# Creating an Inter Vivos Trust

Have you ever thought about planning your estate or reorganizing your family business? There is an excellent tool that can play a significant role in this type of key decision: **inter vivos** or **living trusts**. This is also a donation formula that is less well-known than simple cash or property donations, but which offers numerous advantages. It allows you to transfer goods, real estate or money while continuing to enjoy usage rights until the end of your life!

If the donation is in cash, the deed governing the trust can stipulate that the money will be irrevocably given to your heirs upon your death but that until that time, you remain the

beneficiary of the income that the capital generates. In the case of real estate, the act may stipulate that you retain usage rights or continue to collect rents. In these situations, you receive the income from the property or capital placed in trust every year and you will have to pay the taxes on that income. Your donation is subject to the annual 75% net income rule, and the surplus can be carried over for up to five years.

We estimate that, to justify the charges associated with the creation and administration of an inter vivos trust, its value should be at least \$350,000.

In opting for this formula, you will have to appoint or assign a neutral trustee, who is not a beneficiary of your trust. This trustee can be an individual or a company. However, if you decide to retain the services of a legal entity, you should be aware that only a trust company, such as Desjardins Trust, is legally authorized to fulfil this type of function.

Contact us at any time for more information on financial and trust services.

## Business Sale or Transfer?

# And What About Your Personal Finances?

Thinking about selling your business or transferring it to a family member? This is a decision that should not be taken lightly. However, many entrepreneurs do make up their minds on their own – after all, it is a personal decision. But at this point in your life, it is very important to make sound and informed choices, because the process is often irreversible. So what do you do now?

### *First, you need to ask yourself a number of questions, including:*

- “How can I minimize the tax impact on my business transfer?”
- “How can I ensure that my dependents and my assets will be protected in case of incapacity?”
- “How can I be fair and equitable with all the members of my family?”
- “Would it be appropriate to set up a trust under these circumstances?”

In short, all these questions and more will need to be answered through an objective analysis of your business situation; you will also need to consider all aspects of your personal finances. These are questions that directly involve you but are not always easy to answer by yourself.

Over the years, we have had the opportunity to support numerous entrepreneurs faced with these choices. When it comes to the sale or transfer of a business, we rely on the expertise of a multidisciplinary team made up of tax experts, accountants and investment advisors.

Our mandate is to advise you and direct you to our specialized resources, whether for tax strategies, income optimization, business succession planning, retirement

planning, estate planning or any other need specific to your situation.

The know-how and synergy of our teams of experts are called upon regularly, which represents undeniable added value for our clients as they prepare to enter this transition period.

**Desjardins has the necessary expertise and resources to guide you in your business decisions and help you make the most of the best strategies available in terms of administration, taxation and investment. We have ALL of Desjardins here, ready to advise you!**



Money working for people

Printed in the winter of 2007  
© All rights reserved

This document is for information purposes only. It is not intended to offer specific financial, tax, legal or other advice and the examples provided do not necessarily apply to your situation. You should not act solely on the basis of the information presented in this document without seeking the advice of a financial advisor or other professional. Desjardins cannot be held in any way liable for the consequences of any investment order or decision based on the content of this document.