



TAX MATTERS

## The benefits of a strategic investment approach to charitable giving

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Our family supports some children in Third World countries with a monthly donation. It costs us about \$30 each month for each child. It's amazing what Compassion Canada and World Vision can do with \$30 each month to help a child thrive.

If you're like many Canadians, you probably also take an interest in giving back to the community around you, and the world at large. Most people, however, think about charitable giving near the end of each calendar year, as the deadline approaches for obtaining tax relief for donations in the year. It's too bad that we all scramble in December to make our donation decisions. The fact is, a strategic investment approach to giving can lead to more meaningful giving. Let me explain.

### Strategic giving

There's a difference between charitable giving and strategic philanthropy. Charitable giving is short-term, and ad hoc. It's what you do when certain charities come knocking at your door once each year and you open your chequebook, or pull some bills out of your pocket, to make a modest contribution.

Strategic philanthropy is longer-term in nature and is planned ahead of time. It involves thinking about what is most important to you and why you are choosing to give. When you understand your passions, and why you want to give, it becomes easy to answer other questions, such as: Who should I donate to? Should I donate cash, securities, or other assets? Should I donate personally, or through my corporation, family trust or foundation? Should I donate today, or upon my death or both? Should I donate with recognition or anonymously? Should I donate time as well as money to the causes I care about?

In charitable giving, these questions are not given much consideration. In strategic philanthropy, you'll answer every one of these questions. The result? Much more meaningful giving. You'll feel better about the gifts you make. And by the way, a strategic approach to giving can't generally take place in the last two weeks of the year. The summer is the perfect time to sit back, relax and consider how you want to make a difference in the world.

### Investment approach

Part of giving strategically is taking an investment approach to giving. What do I mean? Well, consider your giving as you would your investments. You are, after all, making an investment for a social return – albeit not a financial return – when you give. Taking an investment approach to giving looks like this:

- **Define your objectives.** What are you passionate about? Make it your objective to make a difference in an area you care about deeply. Chances are, these passions won't change very often, which means you'll likely be giving to similar charities for a lifetime – and there's nothing wrong with that.
- **Understand each charity.** Just as you should take the time to understand each investment you make, be sure to understand the charities you help. Meet with them and ask questions, such as: What has to happen in the next three years for you to be really happy about what your

charity has accomplished? Then evaluate if those same accomplishments get you excited. Perhaps it's a community you want to help – not just a specific cause. If so, speak to your community foundation. The foundation staff will know the most important needs in your community; they can be an invaluable resource.

- **Take a long-term view.** When you find a cause that you're passionate about, make a commitment to that cause and specific charities for a long-term. I suggest five years. Let the charities know you plan to donate each year for the next five years. Making pledges like this doesn't obligate you to donate, but does provide you with a direction and a plan, and helps the charities in their own planning.
- **Diversify, but don't overdiversify.** If there's a cause you want to support, consider helping more than one charity in that area, but don't overdiversify by spreading your dollars around too much. Donating \$1,000 to one charity can accomplish more than donating \$100 to 10 of them.

### **Evaluate the impact**

At the end of each year, visit each charity again and ask what they accomplished in the past 12 months. Are they on track to accomplish those things they said were important when you spoke with them earlier? Are you happy with the impact the charity has had, and your role in that?

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