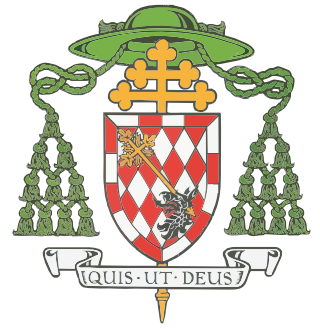


Your Catholic Legacy



Newsletter of the Archdiocese of Toronto Development Office

Fall/Winter 2011, Number 36

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Building Your Special Gift

“HAVE YOU SEEN HOW THAT IMPOSING BUILDING WAS BUILT? ONE BRICK UPON ANOTHER. THOUSANDS. BUT, ONE BY ONE. AND BAGS OF CEMENT, ONE BY ONE. AND BLOCKS OF STONE, EACH OF THEM INSIGNIFICANT COMPARED WITH THE MASSIVE WHOLE. AND BEAMS OF STEEL. AND MEN WORKING, THE SAME HOURS, DAY AFTER DAY...HAVE YOU SEEN HOW THAT IMPOSING BUILDING WAS BUILT?...BY DINT OF LITTLE THINGS!”

St. Josemaria Escriva

One way to make a larger financial gift to your parish or favourite Archdiocesan charity is to break up the gift into a series of smaller weekly gifts, made throughout the year. We can think of each weekly gift as a brick that, by the end of the year will combine to create a financial home that can be used to benefit others.

| Annual Gift | Cost of Gift Each Week | After-Tax Cost of Gift Per Week* | After-Tax Annual Cost of Gift* |
|-------------|------------------------|----------------------------------|--------------------------------|
| \$5,000 | \$96.15 | \$58.31 | \$3,032.22 |
| \$6,000 | \$115.38 | \$69.82 | \$3,630.62 |
| \$7,000 | \$134.62 | \$81.33 | \$4,229.02 |
| \$8,000 | \$153.85 | \$92.84 | \$4,827.42 |
| \$9,000 | \$173.08 | \$104.34 | \$5,425.82 |
| \$10,000 | \$192.31 | \$115.85 | \$6,024.22 |

*For illustration purposes only and assuming the highest tax bracket. Consult your financial advisor(s) as your financial circumstances may vary.

Christmastime is a good time of the year to consider your financial support of the Church—it is a time of sharing and of resolutions. Bring both of these thoughts together and pre-plan a special gift to your parish or favourite Archdiocesan charity.

Perhaps your parish is running a capital campaign or sponsoring a refugee family that needs your help. Maybe you want to make a commitment to ShareLife or give financial assistance to the formation of priests at St. Augustine’s Seminary.

Whatever you choose, your gift will make a real difference in the lives of others. At right is a table you can use to pre-plan your own special gift.

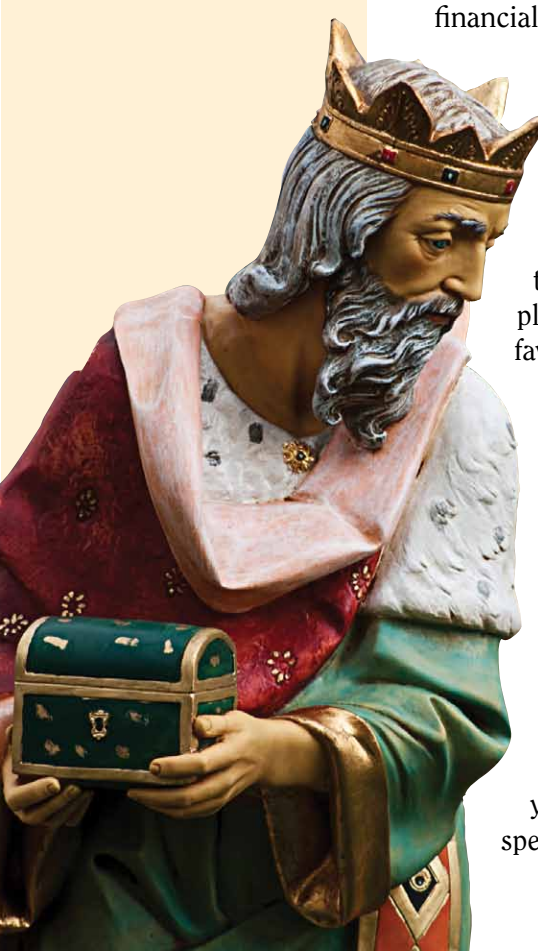
Merry Christmas!

With this issue of *Your Catholic Legacy*, we have enclosed a copy of a very special music collection for your enjoyment, *Bis Orat, Qui Cantat*.

This collection of Christmas choral music celebrates the wonderful talents of the children at St. Michael’s Choir School. We would like to share their music as a gift of thanks for your generous support of the Archdiocese of Toronto.

If you have received this newsletter without a copy of *Bis Orat, Qui Cantat* enclosed and would like to have one, please contact our office. We will be happy to send you a copy, while supplies last.

May you have a blessed and love-filled Christmastime!



Beware of Joint Accounts

by Rosanne T. Rocchi, Partner, Miller Thomson Law Firm

ONE OF THE MOST FREQUENTLY ENCOUNTERED SITUATIONS IN ESTATE LITIGATION INVOLVES THE IMPROPER USE OF JOINT ACCOUNTS. JOINT ACCOUNTS ARE A USEFUL TOOL BUT THEY CAN ALSO BE ABUSED. IN FACT, LAWYERS HAVE SEEN A SHARP INCREASE IN LITIGATION AND DISPUTES ARISING FROM THE USE OF JOINTLY HELD PROPERTY.

Let's imagine a fictional Mrs. Smith, who has four children. She has left all her assets to be divided equally among them after providing for a number of charitable bequests to her favourite charities. Keep her in mind as you read.

Holding Property Jointly

An individual can hold property in his or her name or with another person. The most common types of property held jointly are homes, cottages and bank accounts.

Joint bank accounts are typically used by spouses. During their lives, each spouse may deposit and withdraw from the joint account without the consent of the other. On death, the first spouse to die does not have the right to leave the assets in the joint account by Will; the hallmark of a joint tenancy is that the assets automatically belong to the survivor when the first holder dies.

Benefits of a Joint Account

Since the survivor automatically becomes the owner of the property, one benefit is that there is no need to seek probate for the particular asset.

Jointly held property does not pass through a Will and no estate tax is payable on such property. When a person dies, the estate trustee must obtain a

Certificate of Appointment of Estate Trustee. Estate tax is payable based on the value of the estate. To avoid this tax, many individuals place property in joint names but believe that the property will pass as if it had formed part of their estate.

Joint Accounts with Children

It is not unusual for elderly parents to have joint accounts with children for convenience of having another person manage banking for an elderly parent. Let us return to the hypothetical Mrs. Smith. She is housebound, forgetful and finding it difficult to keep up with her day-to-day activities. Her daughter suggests a joint account so she can help her mother pay her bills, write cheques and access cash. When Mrs. Smith dies, the bank accounts will not form part of her estate. Anything in the bank accounts will belong to her daughter. The charitable bequests will go unpaid and the other three children will be forced to challenge their sister. Lawyers will be retained. This is not what Mrs. Smith had in mind. Significant litigation occurs because individuals use joint accounts without clarifying that the signing authority is only for convenience and that there is no intention to create a true joint tenancy.

Disappointed Beneficiaries

Before anyone places property in joint tenancy with anyone other than their spouse, they should check with a lawyer to ensure that they do not unwittingly benefit the surviving joint tenant and disappoint those who are to be beneficiaries of their estates. This practice is becoming far more common and an individual's hard-earned assets are often depleted by unnecessary litigation (often unsuccessful) to try to have the assets distributed to those who were intended to benefit.

Sadly, this situation occurs all too often. However, it is not restricted to family members. We are encountering situations whereby those who have no close family members will place assets in a joint account with a caregiver or a close friend. This should be avoided.



Giving More For Less

Did you know that if you have to pay capital gains tax on securities when you sell them, there is a way you can completely eliminate the tax by gifting a portion of your sale directly to your parish or favourite Archdiocesan charity?

The strategy works because the federal government allows you to make a gift of securities directly to a Canadian charity and receive an income tax receipt for the full amount, without having to pay any capital gains.



As a result, here are the steps to follow to eliminate your tax:

1. Calculate the capital gains tax you would have to pay when you sell your shares.
2. Based on your personal income tax rate, calculate how many shares out of your sale you would have to donate to the Church so that the tax savings you get back from the government is equal to the capital gains tax.
3. Tell your broker to contact the Development Office to help arrange the transfer of these shares from your account directly to the Church. We will then issue you a tax receipt for your gift once received.

Consult your financial professional to help you calculate how many shares you would need to donate in order to

offset the capital gains before you make a stock sale.

For example, John Smith normally gives \$2,319 a year in offertory to St. Mary's Parish using cash in his weekly envelopes. He is surprised to learn that at no further expense to himself, he can increase his offertory gift to \$5,769 and pay no capital gains tax when he cashes in his Royal Bank shares.

If you want to create a special gift for your parish or favourite Catholic charity by giving a gift of securities, please contact: Quentin Schesnuik, Manager, Planned Giving and Personal Gifts, OR Elvira Foronda, Development Co-ordinator. (See back cover for contact information) All calls are confidential.

| | Scenario 1 (No Securities Gift to the Church) | Scenario 2 (Securities Gift to the Church) |
|--|--|---|
| 1. Name of Security | Royal Bank Shares | Royal Bank Shares |
| 2. Market Value | \$25,000 | \$25,000 |
| 3. Book Value | \$10,000 | \$10,000 |
| 4. Total Securities Sold | \$25,000 | \$19,231 |
| 5. Adjusted Cost Base | \$10,000 | \$7,692 |
| 6. Capital Gain | \$15,000 | \$11,538 |
| 7. Capital Gains Tax Owed from Sale | \$3,450 | \$2,654 |
| 8. Total Securities Donated To the Church | \$0 | \$5,769 |
| 9. Donation Receipt for Your Securities Gift | \$0 | \$5,769 |
| 10. Tax Credit for Donation | \$0 | \$2,654 |
| 11. Total Taxes Owed | \$3,450 | \$0 |
| 12. After-tax Cash Proceeds | \$21,550 | \$19,231 |
| Your Summary: | | |
| Your After-tax gain | \$11,550 | \$9,231 |
| Your After-tax Cash Proceeds | \$21,550 | \$19,231 |
| Tax to Government | \$3,450 | \$0 |
| Securities Donation to the Church | \$0 | \$5,769 |

An example of a gift of securities to the Church

Formulas Used:

4. Total Securities Sold:
Scenario 2 = Line 2 - Line 8
5. Adjusted Cost Base:
Scenario 1 = line 3,
Scenario 2 = Line 3 x Line 4 / Line 2
6. Capital Gain: Line 4 - Line 5
7. Capital Gains Tax Owed from Sale:
Line 6 x 50% x 0.46
8. Total Securities Donated to Church:
Scenario 2 = Line 2 x (Line 2 - Line 3)
/ (3 x Line 2 - Line 3)
10. Tax Credit for Donation: Line 9 x 0.46
11. Total Taxes Owed: Line 7 - Line 10
Your Summary, Your after-tax gain:
Line 12 - Line 3

Does the Wording Matter?

If you have been thinking of leaving your parish in your Will, there is very specific legal wording you will have to give your lawyer to ensure that your gift goes to the right place.

For a parish, the proper legal wording is: ROMAN CATHOLIC EPISCOPAL CORPORATION FOR THE DIOCESE OF TORONTO IN CANADA FOR THE BENEFIT OF (insert your parish name here).

It is important to be precise. If you attend St. Patrick's Parish, for example, please remember that there are nine St. Patrick's Parishes in the Archdiocese of Toronto! If you are not specific enough, there could be undue complications disbursing your gift.

If the St. Patrick's you attend is in Mississauga, your legal wording would read: ROMAN CATHOLIC EPISCOPAL CORPORATION FOR THE DIOCESE OF TORONTO IN CANADA FOR THE BENEFIT OF ST. PATRICK'S PARISH (located at 921 Flagship Drive, Mississauga ON L4Y 2J6)

The Development Office can assist you and your lawyer with legal wording. Please contact us anytime if you have any questions.



Join the Legacy Society of Toronto Today!

"We can't buy entry into Heaven but, no matter how big or small a gift may be, we can say thank you for our faith. My estate gift is my way of saying thank you."

- Michael Hudson, Legacy Society Member

If you have included your parish or favourite Archdiocesan charity in your Will or estate plan, but have not yet notified us, please do. Through our Legacy Society, we would like to thank you.

All Legacy Society members receive:

- A hand-crafted crucifix, blessed by the Archbishop of Toronto.
- A personal letter and certificate acknowledging your intention
- Invitations to Legacy Society events and other special events.

Your gift to the Church can help to inspire others to follow your lead. To learn more about the Legacy Society of the Archdiocese of Toronto, contact the Development Office at 416-934-3411 or visit www.archtoronto.org/development.

All calls are strictly confidential. All Legacy Society members have the option of remaining anonymous

Contact us

Your Catholic Legacy, the planned giving newsletter of the Archdiocese of Toronto, is a free publication that is produced twice a year to keep parishioners informed about issues related to estate planning and the many tax-smart and creative ways they can support their parishes and Archdiocesan charities. While all articles are researched and come from reliable sources, you should always consult an advisor before making any gift.



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