

Sadaqa-Jariya Your Legacy to the World

Allah SWT said in the Quran

"Believe in Allah and His Messenger, and spend (in charity) out of the (substance) whereof He has made you heirs. For, those of you who believe and spend (in charity); for them is a great Reward". Al-Hadeed 57 : 7

The Prophet PBUH said:

"If a human dies, then his good deeds stop except for three: a Sadaqa Jariah (continuous charity), a beneficial knowledge, or a righteous child who prays for him". Narrated by Muslim.



During our lifetime, we often measure our success by tangible accomplishments – homes, vacation properties, stocks, funds and other monetary assets. While important they represent a very small impact that we make on our communities. For example, as we just come out of the blessed month of Ramadan, many of us paid our zakaat dues recognizing that our brethren in many parts of the world have a right on the provisions that Allah SWT has blessed us with. We and I included dug into our pockets and our hearts to find ways to give to charities such as HCI who have helped to alleviate sufferings and provide sustainable developments through out the world and here in Canada.

The blessings that we have from Allah remind us that we must continue to give not only while we are alive but also after we die – in fact we recognize that all is from Allah and that we are mere custodians. Our legacy is rewarded with Allah.

We are also blessed to be living in Canada where the government facilitates and encourages charitable giving. As a consultant providing financial advice, I wish to share with you strategies for leaving the legacy we wish to the charity of our choice and to our heirs with minimum taxation, fees or other delays:

Name charities such as HCI as beneficiary: Leave a bequest in your Will to a recognized charity and your estate will receive a charitable donation tax receipt that could eliminate all of the income tax on your final tax return and possibly on the return for the immediately preceding year, as well.

Establish a Donor Advised Fund: As the donor, you receive an immediate tax receipt for all contributions made to the donor-advised fund and you also retain the right to advise on how the fund's income (grants) is to be allocated to charity each year – all without the administrative responsibilities or costs associated with establishing a private foundation.

Establish a Charitable Remainder Trust: You donate your capital while you live on the income. The charity has no access to trust capital during your lifetime and all dividends are paid to you as taxable income. Upon your death, the trust assets – known as the *remainder* – go immediately to the charity. You receive an immediate tax receipt for the "remainder interest" given to the charity by creating the trust.

Donate a life insurance policy now: When you donate a life insurance policy to your favourite charity, it will receive the total death benefit under the policy and you will enjoy certain tax credits.

Establish a Charitable Life Annuity: By making a charitable gift now you will continue to receive a lifetime income from the assets you've donated, for yourself, or for you and your spouse and receive certain tax credits.

MAXIMIZING YOUR TAX CREDITS

Eliminate your capital gains tax by donating your appreciated securities:

- Use your tax credits against income (up to 75% of your annual net income, or up to 100% in the year of death and the year immediately preceding death). This allows for some powerful estate and gift planning opportunities.
- The disposition of property in Canada often gives rise to a taxable capital gain, but there is some excellent news when it comes to donating securities. In Canada, gifts of securities do not give rise to a taxable capital gain. As a result, it may be more advantageous for you to donate appreciated securities rather than cash.

Donate publicly traded stocks or securities: Recent tax law revisions have reduced the capital gains tax on gifts of appreciated stocks and securities from 25% to zero – when they are donated to a recognized charity. You or your estate will pay no capital gains tax on donated shares and will receive a tax receipt for their full value.

Establish a Private Foundation: Your foundation will ensure your generosity lives on and can permanently associate your name or your family's name with the causes you've chosen.

If leaving a legacy is on your mind, please contact me about the charitable giving strategy that makes the most sense for you, your charity and your estate.

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