

Private Giving Foundation

A simple, effective way to support the causes that matter to you

Autumn 2011

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Eleventh Hour donation to PGF saves substantial taxes for PotashCorp Director

By Jo-Anne Ryan, Vice President, Philanthropic Advisory Services, TD Waterhouse Canada Inc. & Executive Director, Private Giving Foundation

When PotashCorp Director Bob Stromberg had questions about TD's private banking services, he turned to Gayna Wong, a member of the Private Client Services Team in Calgary. Gayna carefully explained the eleven key investment and wealth planning considerations that she addresses with her clients. One of these, charitable giving, caught Bob's attention. After reviewing the additional information that Gayna supplied on the subject, Bob understood that, if he took immediate action, he had a great opportunity to support charitable causes that are dear to his heart while reaping significant tax savings.

Bob had recently exercised some PotashCorp stock options. He now realized that if he donated the shares within a certain timeframe, he could eliminate all related tax liabilities AND obtain a tax receipt for the market value of the shares. He also realized that he could establish a Private Giving Foundation (PGF) account which would allow him and his wife Sandra to organize their philanthropy and develop a legacy of giving.

The ABC's of stock options

Most people have heard of stock options but know very little about how they actually work. A stock option gives its owner the right to acquire a specific number of shares of a specific stock at a specific price ("the exercise price") on or before a specific date. Typically, the exercise price is set very close to the price per share on the date when the option is created.

The option owner stands to make a profit if the price of the stock moves above the exercise price for example, if the exercise price was set at ten dollars and the share price moves to fifteen



Bob Stromberg
Director, PotashCorp

dollars, the option owner can acquire the shares for ten dollars each and sell them for fifteen dollars each. Alternatively, he or she can sell the option itself, which will have gained value as the share price increased.

Options on a wide variety of stocks are available on the open market. Some options, however, are of a more "private" nature. It is quite common for a corporation to compensate its senior employees by granting them special options on the corporation's own stock. These employee stock options typically "vest" (i.e., become exercisable) only after a certain period of time. Like all stock options, however, they do have an expiry date.

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Taxation of employee stock options

If an individual exercises employee stock options, he or she is considered to have received a taxable employment benefit i.e., income that is subject to taxation at the employee's marginal tax rate. This is regardless of whether or not the individual actually sells the shares that were acquired through the exercise of his or her options. The amount of the benefit is defined as the number of shares involved multiplied by the difference between the exercise price and the current price per share. However, unlike other taxable employee benefits, only 50% is actually subject to taxation if certain conditions are met. Tax on the employment benefit can be eliminated, if the publicly listed stock acquired upon exercise or proceeds of its sale, is donated within thirty calendar days of the exercise date, and within the same calendar year.

Bob's decision

Bob realized on a Friday that he had exercised his options twenty-nine days previously. To eliminate any tax consequences, he had one additional day to donate the shares to a registered

charity. Since Day Thirty fell on a Saturday, he had until Monday to make the necessary arrangements. Bob and his wife Sandra had been thinking about establishing a foundation for some time and found the simplicity and ease of setting up a fund within the Private Giving Foundation very appealing. They decided to proceed immediately and established the "Stromberg Family Fund" within the PGF and transferred in the PotashCorp shares on Day Thirty.

The results were very positive. Bob will receive a tax receipt for the market value of his donation and his tax liability related to exercising the options was totally eliminated. There was one additional benefit: TD Waterhouse worked with Canada Revenue Agency and PotashCorp to arrange the return of the tax withheld as a result of the stock option exercise -- Bob did not have to wait to claim a refund when filing his annual tax return in April of the following year.

Bob and Sandra plan to develop a legacy of giving through their PGF account to support the causes that they care about. These include organizations that

support current and veteran members of the Canadian Forces, especially those members who have recently served overseas, Saskatchewan community services organizations, hospitals, food banks, and the United Way. Bob and Sandra also believe that the PGF is a great way to get their family involved in philanthropy. "It is our intention to involve our children and possibly the older grandchildren in the selection of the charities. Both Sandra and I want them to participate in the decision-making process in the hope that they will, at the appropriate time, set up their own PGF account," says Bob. "I also hope that my donation will serve as an example to help to loosen the pockets of other corporate directors and senior executives, who will look to exercise their stock options in a tax effective manner while giving back to the community."

Congratulations and thanks to both Bob and Sandra. As a result of their quick actions, they generated substantial tax savings for Bob, a number of important charitable causes will benefit, and the Private Giving Foundation will continue to build a legacy! ■



Life Insurance and Charitable Giving

By Joe Vanderleest, Estate Planning Advisor, TD Waterhouse Insurance Services, Calgary

Q: How can life insurance be used to enhance my fund within PGF?

A: Life insurance may be used to provide significant tax benefits both during your lifetime and upon death. Integrating a charitable life insurance policy into estate and financial plans can be useful to both maximize your legacy and minimize taxes.

OPTION 1: You may transfer a life insurance policy to PGF such that the PGF becomes the owner and irrevocable beneficiary of the policy. In that situation, a donation receipt may be issued for the annual premiums. Upon death, the insurance proceeds will be paid to your fund within PGF.

OPTION 2: Alternatively, you may simply name the PGF as beneficiary of your life insurance policy. In this case, you will not receive a donation receipt for the annual premiums, but your estate will receive a donation receipt for the proceeds of

the life insurance policy, which may be claimed in your final tax return in the year of death.

The best option for you will depend on whether you are looking for tax relief during your lifetime (option 1) or in the year of death (option 2).

Q: How can I leave a legacy while still preserving my estate for my children?

A: Consider making a charitable gift, and using the tax savings from that gift to replace the value in your estate with life insurance. ■

Spotlight on a Charity

By: Liz Ferreira, AVP, TD Waterhouse

Anthony Lepore was born in Toronto, Ontario in 2009. In Ontario, and most other provinces in Canada, babies are screened at birth for hearing loss. When our son, Anthony, failed the routine hearing test, my husband Marco and I were initially not too concerned. Since there was no history of hearing loss in either one of our families, we were assured that it was nothing to worry about as there are a number of children that fail the initial hearing test due to liquid build up in their ears. After months of testing and a rollercoaster of emotions, our son was officially diagnosed with mild to moderate hearing loss at 10 months of age. We felt totally lost with limited knowledge on the topic of hearing loss in children and didn't know where to turn. Like all parents, we wanted to do the best thing for our child and give him every opportunity to realize his full potential. Luckily, we found the help and support that we needed when VOICE for Hearing Impaired Children (VOICE) was introduced to our family. VOICE educated us on the options and services we need so that Anthony could develop his ability to learn to hear, listen and speak. With the use of hearing aids and Auditory Verbal Therapy, Anthony began his journey to learn to listen and talk.



Anthony with Mom (Liz) and Dad (Marco), an active toddler who loves to talk and sing, thanks to VOICE!

We now know that 3 in every 1,000 births is a child with some degree of hearing loss.

"For children with severe to profound hearing loss, cochlear implant technology is available through pediatric implant centres in Ontario," says Norah-Lynn McIntyre, VOICE Executive Director. "VOICE provides Auditory-Verbal Rehabilitation to help children born deaf learn to maximize the use of these assistive devices and learn to hear, listen and speak."

Families like ours help to fundraise for the Auditory-Verbal intervention provided by VOICE. Through corporate, foundation and individual donations this Canadian registered charity can continue to provide the necessary Auditory-Verbal Therapy, in addition to parent support and advocacy

to help get the services our children need to successfully integrate into a hearing society.

Anthony is now a two and a half year old very active toddler who loves to talk and sing. We can see a difference every day as he learns to say more and more words. We are confident that with Voice's help, Anthony can have all the same choices and options in life as children born with normal hearing. We are grateful that VOICE gave him a voice for life! And I am so appreciative that I have joined the board of directors for VOICE.

For more information, please visit www.voicefordeafkids.com. ■



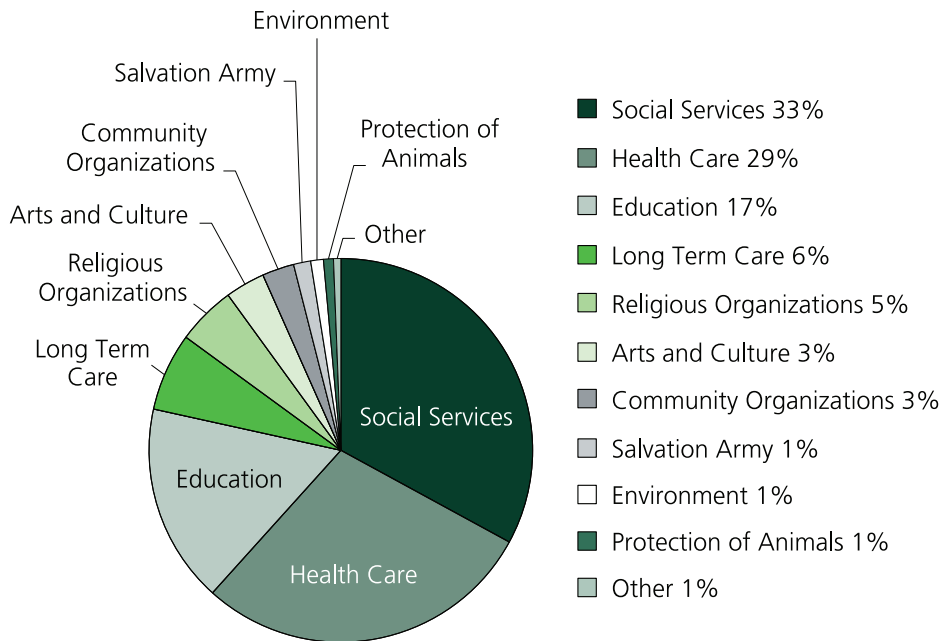
for hearing impaired children

We give deaf children a VOICE for life.



PGF has donated over \$22 million to charities since inception thanks to your generosity.

See where your money goes



Thank You

On behalf the PGF board of directors, we wish to thank you for donating to the PGF and creating a legacy of giving to support the causes that matter to you. According to Henry Ford, "The highest use of capital is not to make more money but to make money do more for the betterment of Life". Incorporating philanthropy in your overall financial and estate plan is a great way to do just that. As December 31st is fast approaching, please take the time to do year-end tax planning and remember that charitable giving is a great way to reduce taxes and re-direct them to causes that are important to you. For information on various tax planning charitable giving strategies, please contact your TD Waterhouse advisor or joanne.ryan@td.com



Photo: ©Greg Pacek

We welcome your questions and comments.

Please direct them to joanne.ryan@td.com

or call **1-866-866-5166**

or **416-308-6735**.

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