

HIGHLIGHTS

- ✦ Charitable giving and philanthropic endeavors are increasing.
- ✦ It is a myth that a massive amount of personal funds are required to establish a charity.
- ✦ The cumulative effect of minimum initial funding, good branding, proper leveraging and vision can be phenomenal.
- ✦ Many needs go unmet in society today because they do not attract the attention of any level of government.
- ✦ Establishing a charity provides a means to organize altruistic values within a formal structure.

Creating a Charitable Entity

Establishing a charitable entity for someone makes a positive difference to their existing philanthropic beliefs and activities.

Individuals' charitable giving and philanthropic endeavors are increasing and playing an important part of their ongoing personal relationship with different communities in both Canada and the United States. Below are some opportunities, along with some of the reasons people wish to establish a focused charitable entity in Canada through which to direct their giving.

It is a myth that a massive amount of personal funds are required to establish a charity. It is quite the opposite; some of the most worthy and most effective charities I have been involved with were started with minimal amounts.

However, the cumulative effect of minimum initial funding, good branding, proper leveraging and good vision can be phenomenal. The role of charitable entities in Canadian society has become more significant in recent years as public funding of community needs is reduced or, in some cases, withdrawn. It is naïve to believe these needs will disappear or that a more effective delivery system will satisfy the existing needs. More and more foundations and charitable organizations are taking a prominent role in funding a wide variety of social programs, the arts, education and health care.

Many high profile net-worth individuals and celebrities create and establish a charity of one sort or another. Such individuals are in a unique position to make a difference in those charitable areas they feel strongly about.

Such individuals can make a huge impact not only now but for the future with the resources and synergies they can create. Terry Fox and Tim Horton are prime examples of individuals that focused their efforts around a brand, an image and altruistic desires in this country.

Most individuals participate personally by donating both time and funds to many charitable endeavors but a properly established charitable entity serves four purposes:

1. In the short term it would be a "flow-through" vehicle for already existing philanthropic activities which are done either personally or piecemeal. This need not cease but rather be re-channeled through a newly created charity/foundation in which more recognition is given to the effort.
2. In the medium to long term it could be the vehicle for the establishment of an endowment fund or funds to be used in accordance with individual charitable objectives as they are from time to time (whether that be the support of healthcare or education, etc.). Endowments are by far the most effective form of "pooling" money in a tax-free way in which long-term objectives, real change and impact can be made by a foundation. Scholarships, research grants and facilities are all usually the product of this long-term objective and are difficult to obtain without it.
3. As part of an ongoing strategy, a lifetime of giving back coupled with a clear vision of an individual's personal and corporate strategy, a charity can be one of the most powerful "leveraging" tools available. As noted above, it is a myth that massive amounts of personal funds are required to establish a charity. Many people with relatively small amounts of initial capital outlay have parlayed it into exponentially larger sums by securing commitments from like-minded charitable and non-charitable institutions and various levels of municipal, provincial and



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federal government.

4. From a personal level, this type of philanthropy can strengthen a family and other relationship as a whole. The returns on a family investment in philanthropy are-or can be-extremely high, both internally and externally. When properly executed a family and its advisors can achieve the cohesion that comes with a sense of higher purpose and co-operative effort. In many cases, those who establish foundations perpetuate and entrench their core values and social commitment to causes and help inspire others to do the same.

Many needs go unmet in society today because they do not attract the attention of any level of government. However, it is not necessarily because government doesn't care or appreciate the need exists, but rather that there is no enough support for a need to warrant governmental consideration or assistance.

Being able to use individual charitable funds to get "matching" donations and commitments from others allows a more unified front to be presented to a government and shows more commitment and organization of a cause. All of which make it politically more palatable to support one cause over another.

By establishing a foundation/charity, a person changes private wealth into a tax-free and socially credible institution, controls his or her public image and pursues social good. Although private wealth will always be influential, when it is transformed into a foundation/charity, such wealth takes on another character which permits you to being publicly influential and independently determine various community needs and how to best manage them.

Establishing a charity provides a means to organize altruistic values within a formal structure. In many cases, a foundation is a unifying force within a family or community and permits family members and community members to grow personally.

Disclaimer: The information contained herein is prepared by C. Michael Kray, LL.B. for information only. Mike practices with a concentration in corporate and commercial issues as they relate to private companies, non-share capital corporations, charities, and estate matters. He represents and advises independent schools, universities, hospitals, and other charitable organizations or regional and national importance. He can be reached at C. Michael Kray, LL.B., 6-2303 Hill Ridge Court, Oakville, Ontario. L6M 3N3, (905) 827-5801, e-mail: mkray@cogeco.ca

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