

Program Guide

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Summary: The Benefits of donating through the Jarislowsky Fraser Donor Advised Foundation

Build a lasting family legacy:

- Maintain long term name recognition
- Provide long term funding to charities that are important to you
- The cheques issued from the capital donated will be sent to the charity (ies) of your choice on a quarterly, semi-annual or annual basis and they will indicate where the donation is from (i.e.: The Martin Family Fund)
- The ability to direct which charity(ies) receives the income can be passed down to a successor

Established and experienced money management:

- Jarislowsky, Fraser Limited (JFL) has been in business for over 50 years
- JFL is currently one of the largest foundation and endowment money managers in Canada
- JFL has had a strong long-term performance track record combined with lower market risk than much of the industry

Very low total fees:

- The foundation has one of the lowest costs in the industry
- The maximum annual total cost for administration and money management starts at 0.75% of the market value of the Donor Fund and drops for larger funds
- An attractive vehicle for existing foundations that would like to reduce the costs and potential obligations of maintaining a separate foundation

Easy to set up and maintain:

- Fill in the two page Donor Agreement to open a donor advised account
- Determine the amount of enduring property (cash or marketable securities) you wish to donate to the donor advised account (Endowment)
- Choose the charities that you wish to receive the income from your contribution
- You are free to change the choice of charities at any time

Effective tax planning tool:

- You will receive a tax receipt for the full amount of the contribution
- The tax receipt can offset current and future income tax
- The tax deduction can reduce future estate tax costs
- A very effective tool for transferring shares of companies with large unrealized capital gains, as there is no capital gains tax (as of the May 2006 Federal Budget) applied to you when these shares are gifted directly to a public foundation. You will receive a tax receipt for the full market value of the securities

Introduction

The Jarislowsky Fraser Donor Advised Foundation has been created to assist you (the Donor) in your long-term gifting to qualified charities across Canada. By contributing to the **Foundation**, you will be able to establish a lasting legacy in your name for the benefit of your desired charity(ies) at a comparably lower cost, while enjoying the tax benefits immediately.

Individuals, private foundations, trusts, estates and corporations who contribute to the **Foundation** will have their contribution held in a separate Donor Fund. The Donor Fund can be named on behalf of a family (ex. The Martin Family Fund), in memory of an individual, or it can be anonymous.

The **Foundation** is a valuable vehicle for private foundations wishing to reduce their costs and the obligations of maintaining a separate foundation. By contributing to the **Foundation**, legal, accounting, investment management and administrative costs should be greatly reduced.

The **Foundation** pools the funds of individual donors and private foundations to reduce the overall expenses of operating a foundation on their own. The maximum expense charged to any Donor Fund is 0.75% of its average annual market value. This charge is reduced for larger donations and includes the administration and investment management fees for the **Foundation**. There is no start up cost for the donor and the foundation is very cost efficient.

Contributions made to the **Foundation** are irrevocable and therefore the full amount of the contribution(s) can be used for tax purposes. This is beneficial to individuals in a high tax year as the tax receipt can assist in reducing the taxes payable. This tax receipt may also be claimed against future tax years. Individuals receive the tax benefit immediately and maintain the ability to recommend which charity(ies) receive(s) the yearly income generated from their contribution.

Donors may gift shares to the **Foundation** (transfer shares in kind) and there will be no capital gains tax associated with these gifted shares. The May 2006 Federal Budget allows shares to be transferred to the foundation with no capital gains tax payable (special capital gains tax treatment).

The annual income generated from your contribution will be sent by cheque on a quarterly, semi-annual or annual basis to the registered charity(ies) of your choice. The registered charity will receive the cheque along with a letter indicating who sent the donation. You (the donor) will receive a copy of the letter sent to the charity(ies) on behalf of the “Donor Fund name” you set up. As well, you will receive quarterly reporting of your Donor Fund and yearly reporting related to the **Foundation**.

The **Foundation** is registered as a public foundation. It is an independent public charity working for the benefit of its donors. The **Foundation** is bound by all of the laws and regulations of a public charity and to all conditions listed in its incorporating documents.

Note that you may change the income beneficiary or the name of your successor at any time by filling in the available forms.

Advantages of the Foundation

Establish a legacy:

- You can “gift” now and receive the immediate tax benefit while maintaining “name recognition,” related to gifts given to charities indefinitely. The **Foundation** can be used by people who want to leave a lasting mark by gifting income to a specified approved charity now and long after they are gone.

Immediate Tax benefits:

- For individuals who want to receive the full tax benefit of charitable gifting immediately (irrevocable donation/gift) but also want to maintain the ability to recommend where future income payments are sent.
- Great for people in an extraordinarily high tax year because you may offset your high earnings with your charitable giving contribution tax receipt that you receive related to the full donation to the **Foundation**.
- May help reduce estate tax issues.
- **Reduce tax on Capital Gains** - Utilize the newly approved preferential tax treatment for transferring shares with large capital gains. There are no taxes payable on capital gains for shares transferred directly to a registered foundation and you get a tax receipt for the market value of the assets. This is much better than the 50% capital gains inclusion rate which would apply if you were to sell the shares and then donate the proceeds.

Cost and time effective alternative to other foundations:

- Foundations will be able to have a cost effective alternative to setting up their own foundation while still retaining “name recognition.” The maximum cost is 0.75 of 1%.
- Avoids most of the cost and time associated with opening your own foundation. Therefore, you may avoid the need to hire accountants, lawyers, money managers and your own board of directors.

Fees:

- There is no start up cost to donors.
- The maximum expense charged to any Donor Fund is 0.75% annually.

Flexibility:

- The choice of which charities receive the income payments of the Donor Fund can be passed on to a successor.

Steps to becoming a donor

1. Open a Donor Fund with the Jarislowsky Fraser Donor Advised Foundation by filling in and signing the agreement letter in its entirety.
2. Decide upon the Name for your Donor Fund (i.e.: The Martin Family Fund)
3. Make an irrevocable and non-refundable donation of enduring property (cash or marketable securities) to the **Foundation**. This will be invested within one business day of the funds being received.
4. The donor will receive a tax receipt for the full amount of the contribution to use against the current tax year or future years.
5. Recommend which qualified Canadian charity (ies) will receive the income payout from the Donor Fund you set up. The payout is based on a minimum of 3.5% of the average capital value of the Foundation over the previous two year period.
6. After the initial year of the contribution, a cheque will be mailed to the charity(ies) noted on the agreement form. These charities must be approved charities by the Canadian Revenue Agency (CRA).
7. A letter will accompany the cheque that indicates where the donation came from (i.e. the Martin Family Fund).

Donors who are Individuals must provide:

- a copy of their driver's license or passport.
- their Social Insurance Number.

Donors who are Corporations, Trusts or Foundations must provide:

- a copy of the Certificate of Incorporation and By-Laws.
- a copy of a resolution of the board of directors specifying the amount and irrevocable nature of the donation to the Jarislowsky Fraser Donor Advised Foundation.
- a copy of a resolution of the signing officers of the Corporation, Trust or Foundation.

Example of how the Foundation works:

- A donor, ex. The Martin Family, donates \$1.0 million dollars (cash or securities) and receives an immediate tax receipt for this amount. When securities are donated, no capital gains are incurred.
- The Martin Family names their Donor Fund “The Martin Family Fund.”
- Annually “The Martin Family Fund” must pay out a minimum of 3.5% (\$35,000) which can be done on a quarterly, semi-annual or annual basis.
- Each year “The Martin Family Fund” can recommend to the Board of the Foundation where the donations should be sent.
- As enduring property (endowed assets), after ten years the monies may remain invested and “The Martin Family Fund” can continue to operate or the total amount can be transferred to a qualified registered charity of your recommendation.

Contributions

- The minimum initial contribution is a \$50,000 commitment over a two year period and any subsequent contributions have a minimum size of \$10,000. There is no limit to the number of contributions that can be made each year.
- Contributions can be made with cash, publicly traded securities or mutual funds. In the event securities are donated, these will be sold by the **Foundation** as a market order within one week of the securities being re-registered. If the securities are less liquid, the foundation may take longer and will use its best judgment in selling the donated shares. If the securities are not marketable, they will be returned to the donor.
- The sale proceeds, less expenses (i.e.: cost to re-register / transfer and / or sell shares in kind) will be used to determine the dollar amount of the “Donor Fund”.
- The closing market value of the securities on the date the securities are received and registered in the Foundation’s account will be used to determine the dollar amount of the tax receipt.
- The **Foundation** will only accept gifts that will be held for a minimum of ten years (enduring property / endowed assets). At which point the contributed capital, plus any non-disbursed income may be gifted to another CRA approved charity or remain in the **Foundation**.
- Assets received with conditions will not be accepted.

Donations to Qualified Charities

- A cheque will be mailed quarterly, semi-annually or annually. A letter will accompany this donation indicating which “Donor Fund” the payment is from for “name recognition” purposes, unless you request your donation be anonymous. The minimum cheque to any charity is \$500.
- Donors have grant recommendation privileges. If a recommended charity loses its charitable status we will contact the Donor to request that a new qualified charity be chosen to send the annual income to. If this is not received, the Board of Directors of the **Foundation** will determine which charity receives the Donor Funds non-directed income.
- The recommendations of grants to qualified donors are only recommendations. All grants made are subject to the approval of the Board of Directors of the **Foundation**.
- The income beneficiary (CRA approved charity) information can be changed by filling in the “Donor Agreement Amendment Form” and mailing the form to the address listed on the form. This must be received by the **Foundation** 90 days before the next distribution payment.

Investments:

- The Board of Directors are responsible for ensuring the investments in the **Foundation** are managed prudently as set out in the Statement of Investment Policy for the **Foundation**. It is noted that the assets may be invested in either segregated or pooled fund investments.
- The **Foundation** will invest, or hire others to invest the assets of the **Foundation**.
- The Board of Directors is responsible for ensuring the selected manager adheres to a lower risk investment philosophy of large capitalization investments for equities and investment grade bonds or higher, as this style lends itself well to prudent endowment and foundation management.
- Any income, dividends or capital gains in the **Foundation** will be allocated to each Donor Fund on a prorated basis.

Reporting

- You will receive a quarterly report from the **Foundation**. This will list the market value of the Donor Fund and any transactions that took place over the period. You will also receive a yearly summary related to all of the assets in the **Foundation**, which will include performance of the holdings and other pertinent information.

Fees

- In order to cover the operating expenses of the Jarislowsky Fraser Donor Advised Foundation, each **Donor Fund** will be assessed a fee payable quarterly, in arrears, based on the preceding quarterly average market valuation of the Donor Fund, calculated at an annual rate as follows. These fees will be deducted directly from the contributed capital:

	<u>Amount</u>	<u>Fee Charged</u>
First	\$ 1 million	0.75 of 1%
Next	\$ 2 million	0.65 of 1%
Next	\$ 2 million	0.55 of 1%
Next	\$ 5 million	0.40 of 1%
Next	\$ 20 million	0.35 of 1%
Next	\$ 20 million	0.25 of 1%
Remainder		0.20 of 1%

Successor(s)

- On the original agreement you are able to provide a successor who can assume the responsibilities and privileges of the Donor Fund in the event of your death. If this is not provided, the Board of Directors will continue to disburse the income to your stated charitable beneficiary. Should that beneficiary lose their charity status under the CRA, the Board of Directors will distribute the income to a qualified charity designated by the Board of Directors.
- You may change the successor donor information by filling in the “Donor Agreement Amendment Form” and mailing the form to the address listed on the form.

Tax considerations

- Annual donations may be claimed up to 75% of a living individual's income. In the event the full amount is not claimed, the individual may use the unclaimed amount over the following five years, provided the amount does not make up more than 75% of income in each of those years.
- Donations can be claimed against 100% of an individual's income in the year of their death or the proceeding year.
- Donations made to the charities from the capital contributed to the **Foundation** will not give any tax benefit to the account holder as the donor received a tax receipt for the original capital contributed.
- Income and capital gains earned in the Donor Fund are not applied to the donor's income.

***Note:** The above are general guidelines and are subject to change and may differ between provinces. It is always important to discuss tax issues with your own tax advisor before making contributions to the Foundation.*

Disclaimers

- Contributions to the **Foundation** are irrevocable and therefore fully tax deductible to the extent allowable under the Canadian Revenue Agency (CRA). These donations are non refundable under any circumstances and donated assets become the sole property of the **Foundation**.
- The **Foundation** was established with the collaboration of Jarislowsky, Fraser Limited and has entered into agreements to sub-contract the investment management and administration of the **Foundation** to Jarislowsky, Fraser Limited.
- There may be representation from Jarislowsky, Fraser Limited on the board of directors and/or as members of the **Foundation**. Board members that are not employees of Jarislowsky, Fraser Limited may receive remuneration for their duties as officers of the **Foundation** as well as reimbursement for expenses reasonably incurred.
- Assets received with conditions will not be accepted.
- The **Foundation** reserves the right to not approve any donor.
- The **Foundation** reserves the right to not approve any Donor Fund Name.
- The **Foundation** reserves the right to not approve an income donation if it is not to a CRA approved Canadian Charity.
- The **Foundation** reserves the right to not approve an income donation.

- Donations cannot be made for the personal benefit of the Donor.
Example: This would include items such as school tuition, personal membership dues, charitable auctions etc.
- It is always important to discuss tax issues with your own tax advisor before making contributions to the **Foundation**.
- The **Foundation** may change the terms and conditions and its associated documents at any time without notice.

Limitation of Liability

- The **Foundation** indemnifies and holds harmless its Board of Directors, investment advisors, administrative and custodial service providers, their agents, and nominees from claims, losses, liabilities, or expenses (including reasonable professional service fees and expenses), except those that may arise from gross negligence or willful misconduct in the performance of their duties.