

# FINANCIAL PLANNER



## Queen's Geography Helped Map Her Career

**K**athryn Aleong has never forgotten taking geography at Queen's. And after she's gone, she has plans to remember the department.

Kathy not only studied geography, she has experienced plenty of it first-hand. Her years married to a Canadian diplomat and her own career as a foreign service officer, have taken her from Czechoslovakia to Mexico to Washington, D.C. and, most recently, to Halifax where she is the Department of Foreign Affairs, Trade and Development's regional director and senior trade commissioner for the Atlantic provinces.

Her long journey began with a single step – her mother's decision that she should leave her native Trinidad and head to Canada for university. Her mother picked Queen's because she wanted Kathy to have a proper foreign student experience – one where she would have to mix in, and not take refuge in a group of fellow Trinidadians.

"It was my first time away from home," she recalls of arriving in Kingston in 1977, "and I was fortunate because my roommate was just great in teaching me all about Canadian winters."

"She took me to S&R and literally we walked through the store and she said, 'One of those, one of those, one of those' – long johns, gloves, a toque, wool socks. She taught me to dress for the cold with layers – I looked like the Michelin man. She even taught me how to make snow angels in front of Chown Hall."

Kathy also discovered geography. "In first year, I had



Kathryn Aleong, Artsci'81 with her beloved rescue dogs, Angel and Chicita.

two great professors, one in geography and one in history. I just remember thinking that I could probably do more with a geography degree, so I went with that as my major."

"I just found it all so fascinating. I took a third year course with Dr. Gerald McGrath on aerial photography that got me interested in remote sensing.

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Dr. W. George Lovell taught the geography of Latin America, and I was fascinated with his class, too. It was one of the few where I actually got up to get there by 8:30. I am not a morning person," she laughs, her voice still betraying a Caribbean lilt after almost four decades away.

"Dr. Lovell was on contract at that time, and he was such a great professor that I started a petition to get him hired on full-time. I don't know if my petition was the reason, but maybe it played a small part in him eventually being offered a full-time job."

Outside the classroom, Kathy had, as she puts it, a fascination with "all things Queen's." She was active in the Queen's University International Centre (during her four years at the university, including as secretary and then president, as well as appearing as co-hostess on the Centre's cable TV show, Earth Links). When Andrés Segovia, the great classical guitarist visited Queen's, Kathy, who had studied the instrument, was able to take a master class with him. She sang in the Queen's Choral Society the year it performed "St. Matthew's Passion", a piece which has since held special meaning for her. She was a member of the Arts and Science Undergraduate Society (ASUS) executive from which she received one of its annual ASUS awards in 1981. She earned the Agnes Benidickson Tricolour Award for her involvement with the International Centre and a range of other extra-curricular activities, and had the thrill of receiving it at graduation from the then newly appointed, first female Chancellor, Agnes Benidickson herself.

And it was at Queen's that she took the first steps that would shape her future. Not long after arriving at a dance at the International Centre, she met someone very special, Donald R. Mackay. He would be her best friend and husband for more than 25 years. He came from a foreign service family and planned on joining the service after school. Married not long after she graduated in 1981, their first posting took them to Czechoslovakia. In 1990 she herself joined the foreign service as a trade commissioner, spending a good part of her career in the Spanish-speaking world – Professor

Lovell's course making its influence felt, perhaps. "I didn't realize that Queen's was a breeding ground for Ottawa mandarins, which is kind of ironic because now I am a bit of one."

For the Aleong family, education has always been of primary importance. "It is the one thing 'they' (the proverbial they), can't take away from you," she says. Her own mother and father had been unable to attend university but, says Kathy, "Their generation resolved that every one of their kids would attend – and we all have." Kathy herself regularly contributes financially to the education of her nieces and nephews (ten all told) along with four great nephews and nieces.

Her generosity and belief in the importance of higher education extends to Queen's, too. Kathy also attended McGill (for a graduate degree in geography in remote sensing) and Western (for a master's in library and information science) but it is Queen's that is first in her heart. She regularly contributes to both the Department of Geography and the International Centre. As well, in her will she has bequeathed 30 percent of her estate to Queen's, to be divided between the two.

"My degrees in geography have served me well throughout my career. For example, during one of my assignments abroad, I was responsible for working with Canadian companies in the geomatics sector."

*"Geography is one of those departments that isn't as well-funded as some," she says. "I want to make sure that the department gets something after I'm gone."*

"I'd like my contribution to be used to help geography students in need make ends meet. I am thinking of contributing in a way that it will have some continuity – although it will be up to the department to decide ultimately who receives the funds."

# Donating Securities? Consider Making the Gift

Queen's graduates give to their school for many reasons – out of gratitude, to help current students, to carry on a family tradition.

But whatever their reasons, it's safe to say that tax considerations are likely not the first thing they think about. But the tax impact can become more important when the donor is looking at precisely how to give to the university.

Many entrepreneurs and small business owners, in addition to the private operating companies they often set up to carry on their businesses, create holding companies. As the business evolves and becomes more profitable, it begins to generate excess cash – beyond what the business needs – so the entrepreneur moves the excess money into this holding company. The cash held by the holding company is then used to make portfolio investments such as shares in public companies, rental properties and other long-term investments. Some business people convert their operating companies into holding companies after they sell off the company's business assets. Increases in personal tax rates – for example, Ontario's latest budget increased personal tax rates on taxable income over \$150,000 – may encourage more entrepreneurs to set up holding companies to hold their excess cash in future.

Many people are aware that the Income Tax Act gives preferential treatment to a donation of publicly traded shares (and certain other assets including mutual funds and segregated funds of life insurance companies – so-called "Listed Securities"). Where these Listed Securities are donated, there is no income tax on the capital gain that is triggered on the donation, and the charity will issue a donation receipt for the full fair market value of the donated security. This usually results in a significant income tax savings compared to selling the shares and then donating the cash. The same preferential treatment is available to a company



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(including an investment holding company) making a donation of Listed Securities. As with an individual, where a corporation donates publicly traded securities, the capital gain triggered on the donation is not subject to income tax and a donation receipt is issued to the company for the full value of the securities donated.

Thanks to the integration system in the Income Tax Act, the tax impact to you of making a donation from your holding company is comparable to the tax impact of making the donation personally. The integration system is designed to leave an individual in the same after-tax position whether income is earned directly by an individual or through a privately held holding company which distributes its after-tax proceeds to its

# Through your Company

shareholder as a dividend. The integration system may, in fact, result in an income tax cost (or savings) depending on the rate of provincial income tax.

The capital dividend account (“CDA”) is an important part of the integration system when analyzing the tax impact of donating Listed Securities through a holding company. Where property is sold, the untaxed portion of the resulting capital gain is added to the CDA and a tax free capital dividend can then be paid to an individual shareholder resident in Canada equal to the balance in the CDA at the time of the dividend payment. Where Listed Securities are donated, the whole capital gain (because 100% of the gain is untaxed) is added to the CDA and can be paid out as a tax-free dividend to the shareholder (when – and if – cash becomes available in the holding company).

*As with an individual, where a corporation donates publicly traded securities, the capital gain triggered on the donation is not subject to income tax and a donation receipt is issued to the company for the full value of the securities donated.*

The combination of the charitable donation deduction to the corporation (a deduction is available to corporations whereas individuals receive a tax credit) and the CDA addition leaves the shareholder in a similar after-tax position when compared to a personal donation by the shareholder.



Consider the following example. A donor wishes to make a gift to Queen's as a way of giving back for his university's part in his success. He wants to donate \$100,000. He has Listed Securities in his holding company with a cost base of \$25,000. He also has other investment income in his holding company to utilize the donation deduction and his holding company is subject to income tax in Ontario. If he donates the Listed Securities, Queen's gives him a receipt for their fair market value. This results in an immediate income tax savings of \$17,310 as compared to selling the shares and making a donation. In addition, there is an immediate addition to the CDA of \$75,000. This amount can be taken out as a tax-free dividend. Often the CDA balance is used by planners to reduce the income tax arising on the death of a shareholder. Both Queen's and the donor come out ahead.

Please contact the Office of Gift Planning [gift.planning@queensu.ca](mailto:gift.planning@queensu.ca) or 613.533.2060 for more information.

# How to Keep Giving When the Intent Exists But the Mind Fails

Many of us donate to Queen's and other charities almost as a matter of course. Many of us plan to leave money to charities in our wills – it is a way of carrying on good work, of looking after charities we care about after we are gone. But what happens to our good intentions if, for any reason, we find ourselves incapable of making these sorts of decisions? Should we ever become infirm, what can be done to ensure we can keep on giving?

As part of an estate plan, you will have made a will. You would also have designated Powers of Attorney, one for property and one for personal care. These attorneys are individuals expected to make decisions for you relating to these matters in the event that you are no longer able to do so.

Making a gift, whether to Queen's University or any other charity, is considered to relate to "property." The person you have appointed as attorney for property is allowed to make charitable gifts on your behalf as long as certain rules are followed.

While recognizing that you might want to give, even if incapacitated, the law needs to balance this against the financial resources any incapable person needs to survive. To ensure this, it puts a fairly low threshold for donations that an attorney for property may give – the legislation in Ontario sets it at 20 percent of income. This amount can be

exceeded only if a court authorizes a higher amount. And, regardless of the threshold, your power of attorney may not make donations for you if your remaining assets are not sufficient (a) for the support, education and care of you and your dependents or (b) to satisfy any other legal obligations.

*Your attorney for property cannot make donations for you unless you have authorized him or her to do so through a continuing power of attorney – unless, that is, there is evidence you made similar charitable gifts while capable.*

Your attorney cannot make gifts on your behalf against your wishes – even if that wish is expressed by you while incapacitated.

If you want to ensure gifts you want to make are made, whether general or specific, in the event of some future incapacity, you must have a continuing power of attorney for property. This power of attorney document should include the directions for the attorney to make donations on your behalf (subject to the restrictions above). Doing so will ensure that pledges made will be honoured, that premiums on gifts of insurance will continue to be made until death



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and, most importantly, that your charitable giving can continue on your behalf even when you are not able to do so yourself.

Remember, too, Queen's or any other charity fortunate to receive these gifts will want to ensure that they have been properly made. Charities will quite often request a copy of the power of attorney for property, as well as other information, to make sure the gift does accord with your wishes.

Planning and making sure that your power of attorney for property document includes your specific donations ensures that your wishes will be carried out, even if you yourself can no longer make them happen.

# Queen's Gift Planning Advisory Committee

Queen's University's Gift Planning Advisory Committee is an operational committee of the Office of Advancement created to provide guidance and support for the University's gift planning endeavours and to act as advocates for the program.

Volunteer committee members are Queen's alumni and donors who are appointed based on their estate, trust, tax, insurance and financial planning expertise. They are recognized nationally as leaders in their respective fields of practice. Members generously share their time and expertise to help Queen's staff ensure that readers of the Financial Planner and other potential donors receive helpful information.

To meet our volunteers, visit  
<http://www.queensu.ca/giftplanning/contact/GPAC.html>

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## Gift Planning

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