

# GIFTS OF STOCK OPTIONS

**STOCK OPTIONS ARE A COMMON FORM OF EMPLOYEE COMPENSATION, AND GIFTS OF STOCK OPTIONS ARE A COST-EFFECTIVE OPPORTUNITY TO TRANSFORM THIS EMPLOYEE BENEFIT INTO IMMEDIATE AND SIGNIFICANT SUPPORT.**

A gift of stock options, like a gift of appreciated securities, is a worthwhile alternative to a cash gift. The elimination of employee benefit tax on gifts of stock options provides a substantial tax incentive for donating stock while benefiting The Hospital for Sick Children (SickKids). Through a gift of stock options, you can help us advance child health both now and in the future.

## WHY SICKKIDS

SickKids treats everything from broken arms and appendicitis to rare brain cancers and congenital heart defects. Every year, some 100,000 patients come to us from across the province, country and even the world for specialized care, while our scientists are making important medical discoveries every day. For all our triumphs — clinical and research — donor support has been instrumental, helping create our storied research institute, where scientists discovered the CF gene, and continue to crack the code of childhood cancers and heart disease. Donations have enabled SickKids to be Ontario's go-to hospital for intensive care, organ transplants, and complex heart surgeries. It is because of our donors that we have grown from a community hospital to a global leader in child health — the root of lifelong health.



**HARTLEY,  
INTESTINAL FAILURE  
PATIENT**

## THE ADVANTAGE OF DONATING STOCK OPTIONS

By donating stock options within 30 days after exercising in the same calendar year, donors receive a charitable tax receipt for the fair market value of the donation and eliminate the tax liability related to exercising the options.

### Other benefits include:

- A charitable tax receipt
- Elimination of employee benefit taxes
- Satisfaction of seeing your gift put to good use today
- Recognition on the Donor Wall (cumulative lifetime giving \$25,000+) and invitations to special SickKids Foundation events throughout the year

### Scenario: Comparing a gift of cash to a gift of stock options

|                                 | Sell shares and donate cash  | Donate shares directly   |
|---------------------------------|--|--|
| Current value of shares         | \$50,000   | \$50,000   |
| Amount paid for shares          | \$10,000   | \$10,000   |
| Capital gains                   | \$40,000<br>(\$50,000 current value – \$10,000 purchase price)             | \$40,000<br>(\$50,000 current value – \$10,000 purchase price) |
| Tax on capital gains            | \$10,700<br>(\$40,000 capital gains x 50% taxable gains x 53.5%**)         | \$0  |
| Tax credit                      | \$25,200<br>(\$50,000 donation x 50.4%**)                                  | \$25,200<br>(\$50,000 donation x 50.4%**)                      |
| Net cost of gift                | \$35,500<br>(\$50,000 gift + \$10,700 capital gains – \$25,200 tax credit) | \$24,800<br>(\$50,000 gift – \$25,200 tax credit)              |
| Total tax savings from donation | \$25,200   | \$35,900<br>(\$25,200 – \$10,700 on capital gains)             |

\* Scenario for illustrative purposes only

\*\* Assumes donation made in Ontario using top marginal tax rate of 53.5% and top donation credit rate of 50.4%

## USING A “CASH-LESS EXERCISE”

A “cash-less” exercise is an alternative way to give stock options in which you don’t have to pay upfront for the company stock when you exercise the option. This can be accomplished by instructing your employer’s broker to exercise your stock options and donate the profit.

If you exercise your stock options and donated the \$50,000 in cash proceeds to SickKids, the net cost of your gift would be reduced to \$33,950. If you chose a cashless exercise of your stock options and donated in the same year and within 30 days after exercising, the net cost of your gift would be further reduced to \$12,550.

## TRANSFORMING STOCK OPTIONS INTO IMPROVED CHILD HEALTH\*

Frank has been a long-time donor of SickKids and each year has made a gift of cash or securities to SickKids. Recently, he received stock options as part of his company’s compensation package. These stock options give Frank the right to acquire 1,000 shares of his company’s stock at \$20 a share – the exercise price – on or before the end of next month. As the price of the stocks that Frank can option has increased to \$50 a share, Frank stands to make a profit; however, this would significantly increase his income tax payment this year.

Frank learned from the SickKids Foundation gift and estate planning team that by exercising his stock options and then donating the shares, he would receive a tax receipt for the market value of his donation and his tax liability related to exercising the options would be totally eliminated.

Frank decided to exercise his stock options and donated \$50,000 worth of his company’s stock to SickKids Foundation. Not only did Frank make a significant impact on improving child health, through tax benefits the net cost of his gift was reduced to only \$17,500.