



SickKids[®]

Gifts of Stock Options

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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 for the benefit of The Hospital for Sick Children (SickKids). By donating stock options in the same year of exercising them and within 30 days after exercising, donors receive a tax receipt for the market value of the donation, and eliminate the tax liability related to exercising the option.

Through a gift of stock options, you can help us to advance child health, both now and in the future.

Why SickKids

As a world leader in paediatric health, SickKids is an exceptional place offering unparalleled patient care, research discoveries, and learning opportunities that are changing the field of child health. Through our integrated program of care, research, and education, SickKids ensures more children around the world have access to the diagnoses, treatments, and cures that can help them prevent, manage, and survive critical illness.

Our gift and estate planning team offers simple, flexible, and thoughtful solutions that help you attain financial benefits while enhancing the impact of your gift on child health.

The Advantage of Donating Stock Options

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 you with a substantial tax incentive for donating stock.

The benefits of donating stock options include:

- Satisfaction of seeing your gift put to good use today
- A charitable tax receipt
- Elimination of employee benefit taxes

Scenario: Transforming Stock Options into Improved Child Health*

Frank believes in the importance of improving the health and well-being of children, and, each year, he donates cash or gifts of securities to support the work of SickKids.

Recently, Frank 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

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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.

Scenario: Comparing a Gift of Cash to a Gift of Stock Options*

	Cash Gift: Exercise, sell stocks and donate \$50,000 cash	Gift of Stock Options: (cash-less gift) Exercise and donate \$50,000 worth of stocks directly
Value of stocks at exercise	\$50,000	\$50,000
Exercise price	\$20,000	\$20,000
Stock option benefit	\$30,000 ((\$50,000 value - \$20,000 exercise price))	\$30,000 ((\$50,000 value - \$20,000 exercise price))
Taxable gains	\$15,000 ((\$30,000 benefit × 50% taxable gains))	\$15,000 ((\$30,000 benefit × 50% taxable gains))
Tax deduction for donation	\$0 (no additional deduction on donated cash)	\$15,000 (no capital gains tax payable on donated stock)
Net taxable income	\$15,000 ((\$15,000 taxable gains - \$0 tax deduction))	\$0 ((\$15,000 taxable gains - \$15,000 tax deduction))
Tax payable*	\$7,500 ((\$15,000 net taxable income × 50%*)	\$0 ((\$0 net taxable income × 50%*)
Tax credit	\$25,000 ((\$50,000 donation × 50%*)	\$25,000 ((\$50,000 donation × 50%*)
Net tax savings from donation	\$17,500 ((\$25,000 tax credit - \$7,500 tax payable)	\$25,000 ((\$25,000 tax credit - \$0 tax payable)
Total tax savings from donation	\$17,500 ((\$25,000 tax credit - \$7,500 tax payable)	\$32,500 ((\$25,000 tax credit + \$7,500 in tax on gain not paid)
Net cost of gift	\$32,500 ((\$50,000 gift - \$17,500 total tax savings)	\$17,500 ((\$50,000 gift - \$32,500 total tax savings)

The Benefits of a “Cash-less Exercise”

A “cash-less exercise” is an alternative way to give stock options, without the need for you to pay upfront for 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 to SickKids Foundation. In comparison to the above scenario, a cash-less exercise differs in that only the proceeds of \$30,000 are donated.

If you exercised your stock options and donated the \$30,000 in cash proceeds gained to SickKids Foundation, the net cost of your gift would be reduced to \$32,500. If instead you chose a cash-less exercise of your stock options and instructed your company to donate in the same year of exercising them and within 30 days after exercising, the net cost of your gift would be further reduced to \$17,500.

*Scenarios for illustrative purposes only. Assumes gifts made at a marginal tax rate of 50%.