



OPINION

Do Canadian charities and foundations have too much money sitting on the sidelines?

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I recently asked the folks at Statistics Canada for help with a question: “What is the sum total of all assets owned by charities and foundations in Canada, and how has this trended over time?” They obliged, providing me with the answer from all 85,000 charities and foundations, as reported in the T3010s filed with the Canada Revenue Agency.

The numbers raised several questions in my mind.

If we exclude operating charities such as hospitals and educational institutions (which need buildings, equipment and supplies to provide their charitable services), foundations alone have now accumulated \$80-billion, largely as endowment investments. This has grown at an annual rate of more than 10 per cent during the past decade and has more than doubled in the past five years. This represents a great deal of money accumulating on the sidelines, rather than being put to use supporting charities and those currently in need in our communities.

I wonder if our politicians are aware of this phenomenon? I wonder how Canadians feel about this unused \$80-billion while so many charities and individuals currently struggle to make ends meet.

As money is donated to foundations, charitable tax credits are given from the public purse to the donors, costing each of us as taxpayers. How is it fair that these funds then sit in endowments for decades to come? Shouldn't taxpayers who have paid for the donors' charity tax credits be the ones to experience the benefit to our communities during our lifetime?

I appreciate that foundations are required to grant and expense 3.5 per cent of their capital each year toward charitable purposes, and that many foundations exceed this level. However, the numbers show that in aggregate, the amounts being held in endowments are increasing much faster than the amounts being granted. For comparison, U.S. foundations are required to grant and expense at least 5 per cent a year.

Raising the minimum disbursement requirement in Canada would have two major benefits. First, more money would be put to work immediately in our communities, helping alleviate the massive funding pressure so many charitable organizations are currently experiencing. And second, it would ensure that current taxpayers see the benefits of the lost tax revenue in their own lifetime. If the required level of disbursement was doubled to 7 per cent from 3.5 per cent, and assuming that all foundations collectively give 5 per cent currently, then this 2-per-cent net increase would yield approximately \$1.6-billion more a year for our charities.

I appreciate that doubling the disbursement requirement of foundations would result in the endowment eroding over time (perhaps over 30 years), but this is precisely the goal. It is morally right, and we need to have these charitable funds used now rather than sitting on the sidelines (often well past the lifetime of the donors!). Isn't it better to solve our social problems today?

Nor should we worry that we will not have foundations in the future. Every generation creates both new wealth and new philanthropists (think Balsillie, Gates, Buffet, Zuckerberg, Bezos and so on). Furthermore, as baby boomers continue to age, there is a significant amount of money likely to be donated over the next 15 to 30 years. There is every reason to believe that new dollars will be available to continue supporting the charities of coming generations.

I urge foundation leaders, policy-makers and the public to consider this issue more closely and act quickly for the public good. Imagine what could be accomplished with billions more

flowing into the charitable sector each year.