

Giving a Stripped Bond



WHAT IS A STRIPPED BOND?

For many years, governments and corporations have borrowed money from individuals by issuing bonds. As the lender, you purchase the bond at its "face value" and then receive interest at a fixed percentage until the bond "matures" and the face amount is refunded to you. (Bonds may also be bought and sold on the "secondary market" at current market prices; in that case you receive the stated interest for whatever time you own the bond.)

A stripped (or zero coupon) bond is a financial product sold by bond and securities dealers. Basically, it is a corporate or government bond from which the interest coupons have been stripped away. Instead of paying income to the holder, it is sold at a discount for much less than its future redemption value.

An individual who buys and holds a stripped bond must pay income tax each year on the growth in the bond's value. However, when the bond is purchased and gifted to a church, neither the buyer nor the church is taxed, so its value increases tax-free and often doubling or tripling before it matures.

For example

Albert Bathgate wishes to establish a named endowment with General Synod of The Anglican Church of Canada

in memory of his wife. For \$15,000, he purchases, in General Synod's name, a stripped bond which will mature in 10 years at a face value of \$30,000. He receives a donation receipt for the full cost of the bond and, assuming a combined tax credit of 48 percent, realizes tax savings of \$7,200 (48% of \$15,000). He has made a future gift of \$30,000 to The Anglican Church at a net cost of only \$7,800 (\$15,000 - \$7,200)!

SELECTING A BOND TO FIT YOUR GOAL

The cost of the stripped bond you purchase for General Synod (or your parish, diocese, The Primate's World Relief and Development Fund, or the Anglican Foundation of Canada) will depend on the years to maturity and the amount you want the Church to receive. Bond prices and yields fluctuate virtually every day. Contact an investment broker to obtain the most current stripped bond rates.

If you intend to use your stripped bond to establish a named endowment, as Albert Bathgate did in the example above, its present value must equal or exceed the established minimum for a new named fund. For a gift to the general endowment or a previously-established named fund, a bond of any size may be used.

PURCHASING A STRIPPED BOND

Virtually any investment broker can provide a stripped bond, though you may wish to secure quotations from more than one to ensure that the pricing is efficient. You may consult your own dealer or ask us for suggestions.

If you have an account with the broker, you may use it to make your purchase and instruct the broker to register the bond in the name of The General Synod of The Anglican Church of Canada (or other Anglican entity) and deliver it to us. Alternatively, you may give us a cheque for the required amount and we will purchase the bond. The settlement contract with the broker or your cheque to General Synod will be the basis of your tax receipt.



WE'RE HERE TO HELP YOU

If you would like our help in arranging your gift, please feel free to call on us. We also recommend that you review this information with your financial advisor to ascertain its appropriateness to your situation.

*"The best preparation
for tomorrow is to do today's work
superbly well."*

Sir William Osler



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