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## Do something for Canada: Buy an MRI

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### *Philanthropy is more effective than paying taxes*

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By **Colin T. Brown**

**M**y father was a successful life insurance agent and a committed free-enterpriser. He founded the National Citizens Coalition during the big-government borrowing and spending era of the 1970s. The federal debt was climbing through \$50billion, and thousands of Canadians shared his alarm about the exponential growth of the public sector. One day he hit upon an idea: Pay off the national debt. Not through a tax increase or tight budgeting. Privately.

The plan was to assemble some of the wealthiest men in the country to make a donation to Canada to balance the books. The money would be handed to the federal treasury and participants would get a tax deduction for their share. Of course, the idea didn't pan out. But it wasn't for total lack of interest among the potential participants. It was because of what would happen next.

Politicians of all parties, he learned, would just start spending all over again. In fact the growth of government could get worse because suddenly there would be no interest costs to worry about. The potential donors concluded that there were better things to do with their money.

I followed my father into the life insurance business, and thought of his idea recently when discussing estate planning with a client. We were comparing the two types of "social capital" he could create for the common good in his estate: public and private. The business owner across the table from me said that because Canada had been good to him and his family, there was nothing wrong with paying taxes - the public route. He saw it as a way to "give something back" to the country. Similar noble sentiments are now being echoed the face of America's debt crisis from well-meaning billionaires asking to be taxed more.

But if you want to give something back to your country, is paying taxes the most effective way to do it? How much of your dollar actually goes to work?

Most successful business owners have built their companies by keeping a careful eye on the bottom line and watching their overheads. However, every tax dollar paid has significant overhead costs before any money gets into the system. According to the Ministry of Finance, funding interest on the national debt takes 11% of your dollar. Compensation of the federal civil service takes at least 15% and is growing at a rate double the private sector. These managers of your "donation" have pensions private businesses can only dream about.

There are 130 agencies in the federal government, all with their own management teams, that claim your tax dollar. Wasteful projects and outright boondoggles abound. In other words, government operates on a philosophy opposite to that of successful entrepreneurs, and it is likely the last company anyone would ever invest in.

However, with a properly structured charitable donation, control can be maintained, and the donor can zero in on how he wants to give something back to the country. Say you want to help our health-care system. You find a good hospital. You check its financials and find its overheads are 20%, which is an acceptable standard. You meet the head of the radiology department, who explains the need for a new MRI suite. You know that at least 80¢ of your dollar is going directly to the source and you are helping the public health-care system by shortening line-ups for MRIs and reducing the need for urgent cases to be transported elsewhere.

There is also the potential future benefit of having your family involved in the recognition (should you wish it) and management of your gift. A community foundation can handle much of the details and overhead. This type of social capital sets a better example for the community and encourages further philanthropy. Paying tax does not.

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