ETERNA GROUPE FINANCIER

PERSPECTIVES

JUNE 2026

Each month, our experts decipher trends shaping the financial universe of informed investors. Discover nuanced analysis and insights to guide your wealth management decisions. Forged by experience and driven by innovation, our perspectives help you build a sustainable financial legacy.

GIVING MORE FOR LESS: THE OVERLOOKED POTENTIAL OF FLOW-THROUGH SHARES

In 2023, major donors—the top 10% of givers—contributed $9.5 billion in charitable donations in Canada, accounting for 71% of the total amount[1] . Although their numbers were lower than in 2018, their overall contributions held steady, unlike those of other donors. The philanthropic sector therefore relies on an increasingly small but remarkably consistent group.

However, being a major donor does not necessarily mean giving in the most effective way. Certain strategies make it possible to combine generosity with tax optimization. Flow-through shares are one example: a government mechanism that can reduce the actual cost of a donation to as little as 2% of its value. The challenge here is simply knowing it exists.

Ways of giving: an overview

Before going into detail about flow-through shares, it is useful to place this strategy alongside the most common approaches to giving, each of which offers a different level of tax optimization.

- Cash donations are the most widespread form of charitable giving. The donor contributes a sum directly to an organization registered with the Canada Revenue Agency and receives a tax credit. It is straightforward and accessible, but the least tax-efficient approach, with a net cost of roughly 45% to 50% of the donation.
- Donating publicly listed securities offers a meaningful advantage. When securities are donated directly to a registered charity, the capital gain is fully exempt, and the tax credit applies to the full fair market value of the donated securities. The actual net cost is between 25% and 30% of the donation. This is very interesting for holders of non-registered portfolios and advantageous for corporate shareholders, for whom the tax-free gain can be deposited into the capital dividend account.
- Donating via flow-through shares, finally, represents the ultimate in tax optimization. Although little known, this strategy is firmly established in tax law.

A strategy rooted in tax law

Flow-through shares have been around for decades. The program was designed to finance mining exploration in Canada, a sector that requires substantial upfront investment well before a project becomes profitable. As the development of clean technologies accelerates global demand for critical minerals—lithium, cobalt, and copper among them—this type of financing has taken on renewed strategic importance, especially since Canada holds significant reserves of these resources[2] .

To attract private capital to this higher-risk sector, the federal government created a straightforward mechanism: a mining company that issues flow-through shares renounces its own tax benefits, thus transferring to the donor the tax deductions normally associated with exploration expenditures. Everything is laid out in tax legislation, both federally and provincially.

The program's operational structure has evolved in a positive direction over the years. Transactions that once took seven years to complete now close within two, a development that has made the program considerably more accessible and predictable.

[1] *Statistics Canada, Charitable donors, 2023, April 1, 2025.*

[2] *Canadian Climate Institute, Canada risks missing out on billions in critical mineral investment without swift policy changes: report, June 12, 2025.*

How the mechanism works

The transaction unfolds in three stages. First, the donor purchases flow-through shares through a structured vehicle, with an initial investment of up to six times the intended donation amount. Within the first few days, however, roughly 50% of this investment is recovered through the immediate resale of a portion of the shares.

The remaining benefits, namely the tax deduction on the mining company's exploration expenditures, the federal investment tax credit, and the charitable donation tax credit, are realized through tax filings. Ultimately, the donation's net cost can fall to approximately 2% of its nominal value.

Who is this strategy for?

To qualify, a donor must demonstrate a minimum annual income of $200,000, as well as the capacity to raise a significant initial investment. Beyond those financial thresholds, however, this strategy is best suited to individuals already motivated by philanthropic values. The mechanism substantially reduces the cost of a donation that the donor intended to make anyway.

That is, in fact, one of the defining traits of donors who participate: they are already giving. Flow-through shares simply allow them to give more, or to give the same amount for far less. Our experience shows that once the first transaction is completed, donors almost always repeat it: the benefits are there, year after year, for both them and the organizations they support.

A rigorous framework to contain risk

Purchasing flow-through shares directly on the open market, without going through specialized structures, would carry real risk. Without proper guidance, these securities are volatile, difficult to sell, and the mining company's expenditures may not qualify as eligible exploration costs, which would negate the tax benefits for the investor.

Fortunately, a small number of intermediary specialists in Canada focus exclusively on structuring these transactions. Their role is central: qualifying mining companies, ensuring that funds are used for eligible purposes, and securing institutional buyers for the shares upon resale. This rigorous framework reduces residual risk to a minimum.

Why accompaniment matters

The apparent complexity of flow-through shares is often the main deterrent, even more so than the eligibility criteria themselves. Specialized support can make all the difference: preliminary file analysis, explanation of the mechanics, coordination with intermediaries, and the possibility of financing part of the initial investment. For donors who wish to spread their donation among several charities rather than directing it to a single organization, Eterna's Frontenac Foundation offers that flexibility through a personalized endowment fund.

The flow-through share program remains largely unknown. Yet, for eligible donors, this avenue is a concrete way to maximize the impact of their generosity. A conversation with the Eterna team can be the starting point for a reflection that will permanently change the way one gives.

Marie-Michelle Desrochers, CPA, M. Fisc.
Tax Specialist

Charles Tardif
Director, Business Development

The Frontenac Foundation: charitable giving, thoughtfully managed

While generosity is often associated with supporting a specific cause, a donor may wish to support a group of organizations that matter to them. This is where the Frontenac Foundation comes in, established by Eterna to encourage giving.

Founded in 2011 and registered with the Canada Revenue Agency and Revenu Québec, the Frontenac Foundation allows each donor to open a personalized endowment fund. This fund operates like a small private foundation, without the administrative complexity or costs typically associated with such entities.

Eterna issues a donation receipt at the time of deposit; the funds are held on a tax-sheltered basis, and the fund holder specifies which organizations they wish the funds to be distributed to. A single donation can thus support multiple organizations over several years.

An endowment fund is also a key component of estate planning. By designating beneficiary organizations in advance or transferring the right to make recommendations to an heir or an advisory committee, a donor can ensure that their philanthropic legacy continues beyond their lifetime. Donations made through this structure subsequently reduce the estate's tax liability.

The Frontenac Foundation is designed to adapt to each donor's objectives. This flexibility allows for maximizing philanthropic impact over time, according to the pace and priorities of each individual.