Gifts of Insurance:
Leave a Legacy for You and Your Family

Creating your Legacy through a Gift of Life Insurance

Utilizing life insurance in philanthropic endeavors provides donors with a unique opportunity to make a significant future gift to benefit Canada Gives, directed to their Personal or Family Foundation Account, while enjoying either current and/or future tax savings.

In many cases, life insurance may be the most economically efficient method to bestow larger and more enduring gifts to the charity(s) of your choice.

Contact Denise Castonguay, Executive Director, to arrange your consultation:

T (416) 644-1573
F (416) 861-0183

Types of Life Insurance Gifts:

- Donate a new or existing policy
- Name Canada Gives as a beneficiary of a policy
- Annuity donation programs
- Advanced gifting programs for the affluent donor

We recommend you discuss your gift intentions with your family and your own financial, legal or tax advisor.

The Benefits of a Gift of Life Insurance

- A meaningful and significant contribution to a donor's Personal or Family Foundation Account at Canada Gives
- Avoid estate administration tax and probate fees.
- Confidentiality and protection from estate litigation issues.
- Valuable current or future income tax benefits depending on the structure of your gift.

About Canada Gives

Canada Gives is an independent public foundation designed to work with donors who are interested in setting their own philanthropic objectives and bringing their own priorities to their charitable giving.

We are committed to the charitable sector and to the major donors who support it. We encourage you to develop a "total giving strategy" which combines short-term funding for immediate needs (one-time gifts) together with long-term support from an endowment gift.

A Canada Gives Account enables donors to simplify, consolidate and focus their giving.

Donating a New Life Insurance Policy

Case Study

Ted and Susan would like to support a number of charitable interests and ultimately make significant gifts. At the present time, they do not have sufficient investment capital to achieve their donation goals. They do, however, generate ample cash flow and would be prepared to establish a longer term gifting program through the use of life insurance.

Through the use of a life insurance product, Ted and Susan (Ages 45 and 43, respectively) will be able to make significant future gifts in an economically efficient manner. They will enjoy current income tax benefits from annual donation receipts that will be received for each life insurance premium paid. Ultimately, for a net after-tax investment of $22,776 over five years, Ted and Susan have established a $500,000 future gift.

Financial Summary

Life Insurance Policy – Value	$ 500,000
Premium Payment (5 year plan)	**$ 8,500/year/5 years**
Total 5 year commitment	**$ 42,500**
Actual cost with tax credit* *(46.41% tax rate)	**$ 22,776** ($42,500 less tax credit of $19,724)
Future Gift to Canada Gives **(directed to donors' Account)**	**$ 500,000**

The Basics

- Designate Canada Gives as the owner and beneficiary of a new life insurance policy, directed to the donors' Family Foundation Account.
- Provide the annual funds required to make annual premium payments for the policy.
- Receive an annual tax receipt equal to the amount of payments made each year.
- Canada Gives will receive the policy death benefit at a future date.

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Charitable Registration #83306 2144 RR0001

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Donating an Existing Life Insurance Policy

Case Study

Mark (currently age 76) decides that he no longer requires a permanent life insurance policy that he originally purchased when he was 46 years old.

Existing Life Policy Data

Face Value: $1 million face value
Cash Surrender Value: Nil
Annual Insurance Cost : $7,947 (Guaranteed)

Prior to the recent change in administrative practice at the Canada Revenue Agency, Mark had planned to allow the policy to lapse. After some reflection and simple analysis, Mark concludes that it would make more sense to donate the policy to Canada Gives than to allow the policy to lapse.

An approved actuary determines the existing fair market value of the policy to be $550,000. Mark donates the policy to Canada Gives, directed to his Personal Foundation Account, and receives a tax receipt for $550,000. The tax receipt will offer Mark $255,255 in current tax savings (assuming a 46.41% tax rate). Mark can use some of his upfront tax savings to fund the annual premiums relating to the policy for the rest of his life ($7,947/year less $3,688 tax savings = $4,259 net annual donation). His Personal Foundation account at Canada Gives will receive a future gift of $1 million from the insurance proceeds.

Financial Summary

	Mark Allows Policy To Lapse	***Mark Gifts Policy***
Immediate Benefit ($) * Tax Credit Value	**NIL**	**$ 255,255**
Net Annual Cost to Continue Funding* *(After 46.41% Tax Credit)	**NIL**	**$ 4,259**
Positive Economic Impact	**NO**	**YES**
Future Gift to donor's Account at Canada Gives	**NIL**	**$ 1,000,000**

*Based on Ontario tax rate of 46.41%

The Basics/Benefits

- Benefit from a recent change in Canada Revenue Agency practice [the value of the donation receipt to be issued will be equal to the actuarially determined fair value at the time of the gift (formerly donation receipt restricted to policy cash surrender value)].
- Receive a current tax receipt for the policy fair value and obtain immediate tax benefits.
- Continue funding the required annual premium payments for the policy and receive additional tax receipts equal to the amount of payments made each year.
- Simply transfer ownership and designate beneficiary of the insurance policy to Canada Gives.

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ESTABLISHING PERSONAL & FAMILY FOUNDATIONS

Naming Canada Gives as Life Policy Beneficiary

Case Study

Sally, age 71, has been a major supporter of several charitable initiatives over the years. A few years ago, Sally had arranged a $750,000 permanent life insurance policy for estate planning purposes. She anticipates that there will be approximately $280,000 of income taxes payable on her estate on her future passing.

In order to accomplish her goals of supporting her charitable interests and minimizing her future income tax liability, Sally designates Canada Gives as the beneficiary of her life insurance policy and directs the gift to her Family Foundation account. In the future, Canada Gives will receive $750,000 and Sally's estate will receive a tax receipt in the amount of $750,000. The value of the tax credit, $348,075, eliminates the income tax that would have otherwise been payable by Sally's estate and the excess credit can be applied to her previous year tax return.

Financial Summary

Pre Gift: Estate of Sally – Future Tax Bill	**$ 280,000**
Future Gift to Canada Gives	**$ 750,000**
Tax Credit Received by Estate (46.41% tax rate)	**$ 348,075***
Tax Credits Used to Eliminate Tax in Estate*	**$ 280,000 of $348,075 Tax Credit**
Tax Credits Applied to Previous Year*	**$ 68,075 of $348,075 Tax Credit**

* Based on Ontario tax rate of 46.41%

The Benefits

- Designate Canada Gives as the beneficiary of a life insurance policy.
- Your estate will receive an income tax receipt equal to the total life insurance proceeds that have been paid to Canada Gives.
- Estate values will be preserved as a result of the application of the donation tax credit created at the time of the gift, and any excess credit may be available for application to the previous tax filing.

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The comments contained herein are not intended to be a definitive analysis of tax or estate law, and are general in nature. Professional advice regarding an individual's tax and legal position should be obtained.

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Life Insurance, Annuities:

Give and Receive Program

Case Study

Robert and Shelly, both 78, have accumulated considerable assets during their lifetime. They are conservative investors who do not enjoy the volatility that exists in equity markets. They have a desire to ensure that their annual income stream is consistent and remains at least equal to its present state.

Robert and Shelly maintain a sizable GIC position (about $2 Million) within their overall investment portfolio. The rate of interest being earned each year is about 4.5%, producing $45,552 of after-tax income (assuming 46.41% tax rate). Neither Robert nor Shelly will require the underlying capital during their lifetime.

Robert and Shelly are also interested in making a meaningful charitable gift to their Canada Gives Foundation Account. In order to make a tax effective current gift, they choose an Annuity giving program that provides income, protects capital and allows for a current gift. An option that enables Robert and Shelly to achieve all of their goals.

$200,000 of GIC capital is donated to their Canada Gives Foundation Account as a current gift, with an immediate tax receipt generated. The remaining capital and donation tax credit are directed to a unique guaranteed investment that will return $2 million to Robert and Shelly's estate when the last survivor passes away. This investment will provide Robert and Shelly with annual guaranteed, lifetime after-tax income of $95,264 – An annual improvement of $49,712/year, even after their generous gift.

Financial Summary

	GIC Approach	*"Give" and "Receive" Program*
Initial Donor Capital	**$ 2,000,000**	**$ 2,000,000**
Current Donation	**$ 0**	**$ 200,000**
Annual After Tax Income	**$ 45,552**	**$ 95,264**
Positive Impact on Annual Income	**NIL**	**$ 49,712**
Capital Received By Estate	**$ 2,000,000**	**$ 2,000,000**

Benefits

- Unique opportunities for you through your Canada Gives Account to make an immediate charitable gift and benefit from current tax relief.
- Obtain an enhanced guaranteed income stream for the remainder of your life.
- In the future, the value of your initial capital will be returned to your estate or Canada Gives.
- An opportunity to give and actually "improve" (depending on the donor) the annual income stream that is generated from the capital that is utilized in the gifting process.

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Advanced Insurance Gifting Programs

Case Study

Jack and Eileen are dedicated philanthropists who are aged 81 and 76, respectively. They are an affluent couple who have supported various important charitable activities throughout the course of time and are now interested in arranging a significant legacy gift through Canada Gives.

In the future, on the passing of the last survivor, a tax liability of about $6 million will be triggered in their estate. Their existing financial structure and overall wealth provide Jack and Eileen with an opportunity to design a tax-effective solution which will help them mitigate estate tax and provide a significant legacy gift. Through consultation with Canada Gives, and their professional advisors, an advanced insurance gift plan is structured for the donors.

The plan involves incorporating an insurance program into the financial and estate plan of Jack and Eileen. Annual funding is required until the death of the last surviving spouse. On the death of the last surviving spouse, a gift of $12 Million is made to Canada Gives, directed to their Family Foundation account. This creates a tax credit of $5.56 Million that can shield the estate from the majority of income tax that would have otherwise been payable.

Further, the tax effective manner in which the gift will be structured creates additional tax credits that essentially recover the value of the premium payments made to finance the insurance gift in the first place. Maximum gift potential with full estate preservation – a strategy that provides a meaningful result for both Canada Gives and the donor family.

Benefits

- In certain circumstances, a donor could make significant gifts through their Canada Gives account and ensure that overall family wealth is preserved, perhaps even enhanced, for the estate.
- The structure of an advanced insurance gift will likely differ depending on the facts and circumstances of the donor involved.
- An opportunity to create income tax benefits that transcend traditional charitable gifting strategies may be available. Give much more…with much less!
- Advanced insurance gifts can be designed in collaboration with Canada Gives and your professional advisors.

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