canadagives
MAKING YOUR LEGACY COUNT

Giving Matters

CASE STUDY: Securing your Children's Future and Making a Difference

The "Give" & "Receive"- Capital Replacement Program

Consider the Following Case:

Frank and Angela (both age 68 and non-smokers) have been successful and would like to fund their Canada Gives Foundation account so they can start "giving back" with a legacy gift now. They have earmarked $500,000 for their philanthropy but realize they would be creating a larger loss to their estate by the time the last survivor passed. They recognize that by investing the same funds in conservative and secure investments like Treasury Bills, the net income after taxes would be closer to $725,000 by the time the last survivor was 88 years old.

The Solution: Replacing the Capital plus Interest

In order to achieve both objectives, Frank and Angela are considering a capital replacement program by using an insurance policy to replace the future value of the donation. Assuming standard rates, this new policy with a face value of $725,000 might cost just over $12,500/year, based on their joint lives.

Frank and Angela will save $232,050 in income taxes as a result of making a donation to Canada Gives, directed to their own Foundation account. The tax savings generated from their charitable donation could be used to finance the annual premium requirements on the policy.

So, Frank and Angela can do it all:
Give Back Today with full replacement back into their Estate.

Financial Summary

The Give	
Donation to Canada Gives directed to Tom and Susan's Family Foundation	**$ 500,000**
Tax Credit: ($500,000 x 46.41% *Ontario Rate*)	**$ 232,050**

Note: Tax benefit would be higher if donation was made with securities-in-kind

The Receive	
Beneficial assets from Insurance Policy	**$ 725,000**
Premium Payment:	**$ 12,500/year**

Note: The tax benefit from their donation could fund the premiums for over 18 years. If the tax refund was invested, premiums could be funded for over 20 years

** Please note the example described herein is provided for illustrative purposes only and individuals should consult their own professional tax advisor.*