



According to Statistic Canada, over \$10,000,000,000 was donated from 5,000,000 Canadians to charity in 2019. All these donations are eligible for a non-refundable tax credit.

By using Life Insurance, you can increase your overall charitable donation benefiting a cause that really means something to you. Donating funds to the Canada Revenue Agency through taxation just doesn't provide the same legacy.

Enhance Your Charitable Giving Using Life Insurance

Below are two structures that allow you enhance your donation to the charity of your choice and potentially pay less tax.

Personally Owned Life Insurance:

1. Purchase a Life Insurance policy where you are the owner/payor of the policy with your chosen charity as the beneficiary.
2. Policy growth is tax-free increasing your overall donation.
3. When you die the charity receives the death benefit tax-free.
4. Your estate receives a tax credit of up to 100% of net income for both the year of death and the year immediately preceding it.



5. You have access to the cash value during your life as the owner of the policy.
6. Can change the beneficiary at any time.

Charity owned Life Insurance:

1. Purchase a Life Insurance policy and make the charity the owner and beneficiary. You pay the premiums.
2. Every year you receive a tax credit in the amount of the premium paid.
3. Maximum donation credit is 75% of net income per year while living.
4. Unused credits can be carried forward up to 5 years.
5. Charity has access to cash value and they control the policy.

Case Study

Personally Owned Life Insurance vs a Non-Registered Investment (Balanced Fund)

Comparison Age: 85 | Total Investment: \$500,000

Female 60 years old contributes \$25,000 a year for 20 years with the intention of donating the funds at death to her charity of choice.

Non-Registered Investment		Life Insurance	
Total Donation to Charity	One time tax credit on death	Total Donation to Charity	One time tax credit on death
\$907,224	\$435,130	\$1,027,431	\$492,793
		Charitable Donation Increase using Life Insurance: \$120,202	

Using Life Insurance, you have enhanced your charitable contribution by 13.25% and increased your tax credit by \$57,663 that can be used to reduce estate taxes and increase the amount your beneficiaries receive.

Case Study

Charity Owned Life Insurance VS Charity Held Investment (2% Growth rate as charities have disbursement quotas limiting the ability for compound growth)

Comparison Age: 85 | Total Contribution: \$500,000

Female 60 years old contributes \$25,000 a year for 20 years receiving an annual tax credit of \$11,927 for both options.

Charity Held Investment		Life Insurance	
Total Donation to Charity	Total Tax Credit	Total Donation to Charity	Total Tax Credit
\$684,069	\$238,531	\$1,027,431	\$238,531
		Charitable Donation Increase using Life Insurance: \$343,363	

Using Life Insurance, you have enhanced your charitable contribution by 33.42%.

The option you choose is dependent on your income tax situation and where you want to use the non-refundable tax credit (annually or at the time of death). With both options, the legacy that you can provide a charity has been significantly increased.

If this is something that resonates with you, please reach out to discuss enhancing your legacy.