

GIVING LIFE INSURANCE

THREE WAYS TO MAKE A GIFT

Life insurance is a popular and practical way to make a significant gift to charity. Your gift of life insurance to Quaco Historical & Library Society (QH&LS) can have an incredible impact for a cause you love while providing you with significant tax benefits. There are three ways to make a gift with life insurance:

1. Donate an existing life insurance policy to QH&LS.

If you own an existing life insurance policy that you no longer need, you can transfer ownership of the policy to QH&LS and receive significant tax benefits. For example, there may be an opportunity to transfer your insurance policy on retirement. You have spent years paying premiums for the policy and with retirement the need for insurance is no longer required. Or other changes in your circumstances may result in a policy no longer being needed.

QH&LS must review your policy before deciding to accept it. Once QH&LS has been named as the policy owner, you will receive a tax receipt for the cash surrender value of the policy. Alternatively, a tax receipt may be issued for the fair market value of the policy, which may in some cases be significantly higher than the cash surrender value, if you obtain an actuarial valuation of the policy.

If the policy requires continued premium payments, you will receive tax receipts for the premiums you continue to pay on the policy after the transfer is completed. No receipt can be issued for the death benefit when received by QH&LS when QH&LS is the owner of the policy.

Example:

John Doe purchased a life insurance policy when his children were born, but now that his children are grown up and self-sufficient, he feels he doesn't need the policy anymore.

The face value of the policy is \$100,000, the cash surrender value is \$40,000 and the monthly premium payments are \$100. John donates the policy to QH&LS and receives a \$40,000 tax receipt for the cash surrender value, generating a tax credit of \$18,560 (assuming a combined Ontario provincial/federal 2015 tax credit of 46.4%. The tax depends on the province or country you live in). He continues to pay the monthly premiums and every year he receives a tax receipt equaling the value of his premium payments.

When he dies, QH&LS receives the \$100,000 death benefit. John had instructed that QH&LS set up the DOE Family Fund with the gift, designate for the museum (or library or specific project at QH&LS. John's children receive news about the wonderful things their father's fund accomplishes.

2. Name QH&LS as the beneficiary of an existing life insurance policy.

Naming QH&LS as the beneficiary of all or part of an existing life insurance policy is fast and easy. Simply contact your insurance company for a beneficiary designation form, and add QH&LS as beneficiary of all or part of the proceeds.

You can work with QH&LS to create a special fund that supports the causes you care about. When QH&LS receives the proceeds of the life insurance, it will establish your fund. Your estate will receive a tax receipt equal to the amount of the insurance proceeds received following your death.

Because life insurance gifts are not typically subject to a waiting period or probate fees, your gift could arrive at QH&LS much more quickly than a cash bequest.

Example:

Jane Doe wants to ensure gifted students can afford university. She contacts her insurance company, and names QH&LS as the beneficiary of one of her policies, which has a death benefit of \$100,000.

When Jane dies, QH&LS receives the gift and places it into the Jane Doe Fund, which provides money to assist such specific endeavours as the museum, library or programs.

Jane's estate receives a \$100,000 tax receipt, which provides a tax credit for her estate, and which should be available to be applied against the taxes arising in her terminal return.

3. Purchase a new policy to donate to COSAP.

You can make a sizable donation in the future for a relatively modest cost now by purchasing a new life insurance policy and transferring ownership to QH&LS.

Once you have named QH&LS as the owner of the policy, QH&LS will name your fund as the beneficiary, ensuring that the proceeds go to a cause you care about. You will receive an annual tax receipt equaling the value of premiums you pay on the policy.

Note: If you are interested in this option, please contact your professional advisor and QH&LS first, to ensure that you purchase a policy that fits your needs and can be used as you wish at QH&LS.

Example:

Mrs. Smith wants to leave a large legacy gift for senior art causes, but also needs to provide for her children. She purchases a policy for \$30,000 with monthly premium payments of \$25, in the name of QH&LS.

QH&LS designates the Smith Fund as the beneficiary of the policy. Mrs. Smith receives annual tax receipts of \$300, representing her premium payments. When she dies, her fund receives the \$30,000 death benefit. Her other assets go to her children as she wished. No receipt can be issued for the death benefit when received by QH&LS when QH&LS is the owner of the policy.

Using life insurance as “wealth replacement”

An insurance policy is also a good way to provide “wealth replacement” when you donate an asset you might otherwise leave to your heirs.

Example:

At age 60, Marilyn contributes \$100,000 to QH&LS and realizes tax savings of \$46,400 over the period she claims the donation receipt. She uses \$22,000 of the tax savings to purchase a paid up \$100,000 policy. At her death it will go to her children, replacing the amount she gave to QH&LS, she still saves \$24,400 in taxes through her gift.

A gift of Life Insurance can be a fulfilling use for a no-longer-needed asset, or the way to make a generous future gift for a modest current cost.

	Tax Receipt for Premiums paid by you during your lifetime?	Tax Receipt for Death Benefit when received?
Donate an existing policy to QH&LS	Yes, and a receipt for the cash surrender/actuarial value at the time of transfer	No
Purchase a new policy for QH&LS	Yes, and a receipt for the cash surrender/actuarial value at the time of transfer if applicable.	No
Name QH&LS as beneficiary of a policy you own	No.	Yes

For more information about making a charitable gift with an Insurance Policy, please contact Elisabete Way, Treasurer at treasurer@quaco.ca or call her 905-691-9933.

NOTE TO READER: The purpose of this publication is to provide general information, not to render legal advice. QH&LS does not provide tax or legal advice. We encourage you to consult with your professional advisors when planning your gift.