
Creative Insurance Planners Inc.

Employee Benefits Consultants • Investments & RRSP's • Life & Disability Insurance

Charitable Planned Giving

Many people would like to leave a bequest in their Will to their favourite charity, but either lack the capital or fear depriving their loved ones of their estate. Today charities are increasingly dependent on individual donors to accomplish their goals. Often donors wonder what will happen to their favourite charity after their death. Who will support it after they're gone? One way to ensure your favourite charity continues to receive support is through a planned gift.

What is "planned giving"?

Planned giving is simply making a significant donation to a charity through a lifetime donation, a bequest in your Will or the purchase of a life insurance policy.

Some people are concerned that a significant lifetime donation or bequest might leave themselves or their heirs without sufficient capital to support their lifestyles. However, there is a way donors can create a large gift without significantly eroding the value of their estate. It involves gifting a new or existing life insurance policy to a charity.

Advantages of gifting life insurance

- ◆ **Amount is determined in advance.**
You can specify a fixed amount or choose a policy with an increasing benefit.
- ◆ **The gift is outside of your estate.**
A charitable gift through life insurance is not subject to probate tax and not subject to estate creditors.
- ◆ **The gift can be confidential.**
Unlike wills, life insurance policies are not a matter of public record.
- ◆ **Flexible funding arrangements.**
You can design your own program for funding your bequest – anywhere between a single deposit and lifetime payments.
- ◆ **It is economical.**
It is a way to give a larger gift at a fraction of the value.

Structure of the Gift

	Owner	Beneficiary	Tax benefit to donor in lifetime	Tax benefit to donor at death
OPTION 1:	Donor	Charity	None	Death benefit is the donation
OPTION 2:	Charity	Charity	Annual premium is the donation	None

Option 1: Donor Owned Policy

For maximum flexibility, you can own the policy and name the charity as beneficiary. An advantage is that you retain complete control of the policy. A disadvantage is that premiums are ineligible for tax credit and that the death benefit may exceed the charitable donation limits.

Option 2: Charity Owned Policy

To get annual tax credits for the premiums, you could establish the charity as the owner and beneficiary of the policy. You pay the premiums to the insurer and the charity issues a charitable receipt for the amount paid.

Please Note: Care must be taken to ensure that the gift falls within the limits prescribed by the Income Tax Act. Individuals can donate up to 75% of their net income in any year and 100% of net income in the year of death and the year prior to death.

Seek professional advice

If the idea of a charitable life insurance policy is of interest to you, please contact me for assistance in designing a plan to fit your circumstances. Also check with your tax advisor regarding the tax benefits.

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