

Although there is a greater awareness and comfort with philanthropy among Canadians, tax-wise charitable giving strategies are still a well-kept secret. Even among many legal and financial planning specialists, the application of available charitable gifts planning tools is inconsistent in part because donors don't necessarily ask for advice when making a donation to a charity. If they did, donors would save thousands of dollars in taxes and still accomplish the same philanthropic goal.

Explained here is one of 3 gift planning strategies that will help you to make a special gift to TB Vets more tax effective. Watch for the next 2 strategies outlined in future editions of "Future Keys".

BEQUEST ALTERNATIVE A: RRSP/RRIF PLAN ASSETS

The most common planned gift in Canada continues to be the bequest by virtue of one's will, but there are tax-wise alternatives. Since 2000, it has been possible for individuals to designate charities directly on their Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) documents.

Due to generous tax deductions and sheltering provisions, RRSP's and RRIF's hold one of the largest accumulations of capital in Canada. But, after the death of the second spouse, these assets become one of the most heavily taxed assets in a person's estate. Registered retirement funds are good retirement tools, but are a huge tax liability in your estate. As a result, they also provide a great opportunity for charitable giving.

If you directly designate one or more charities on your plan documents, your plan trustee will be able to pay out 100% of the value of plan assets to your personal charitable priorities. While the death of the second spouse will trigger tax, often at the highest marginal tax rate, donating these assets will provide a tax credit that will eliminate all tax owing related to these assets.

For example, if your RRIF had a \$100,000 balance after the death of you and your spouse, you would owe approximately \$46,000 in taxes. A direct designation gift will produce a tax receipt that fully offsets the \$46,000 tax bill and preserve the \$100,000 for your charitable beneficiaries. Although the gift is given outside of your estate, the tax receipt can be claimed in the final two tax returns.

Direct designation gifts of registered savings plan assets

also address personal planning issues such as probate fees and privacy. Charities also like these gifts because they are paid directly from your plan and are not subject to the timelines of estate administration.

Please check with your plan trustee or financial advisor about the direct designation option. Better yet, send me an e-mail and I can advise you accordingly. This is a fairly new provision, so not all financial institutions are fully aware of the option. Ensure you have the registration number of your charitable beneficiaries included on the plan document.

Also ensure that you consider your total estate plan considerations before making changes to your RRSP/RRIF plan documents. For example, you might be concerned about leaving all of these assets to TB Vets due to the fact that you have other beneficiaries. One way to ensure that the tax bills are still offset is to consider using estate life insurance for those other beneficiaries, equal to the value of your registered assets. In this way the estate life insurance is paid to them tax free and probate free, along with the registered assets in their entirety to TB Vets!

The information provided above is just one of the many ways you can provide a significant gift to your favourite charity. Please talk with a professional advisor to see what options are best for you.