

Most people are pleasantly surprised when they realize that they don't need great wealth to become a great philanthropist and to make their community a better place! More often than not, this realization comes about as a result of having a professional assessment completed by a knowledgeable estate planner who is well versed in Charitable Gift planning opportunities. Here is one example of such a gift planning opportunity, using the **CHARITABLE GIFT ANNUITY** that I reviewed in last month's edition of Future Keys.

Bill is a retiree and a widower, at the young age of 77. He would like to make a sizeable donation to TB Vets to fund some of their research, so he calls upon his financial planner to see what options he has for his wishes.

Bill wants to maintain or even increase his income as he has been experiencing low interest rates and some negative returns on his investment portfolio. He has a \$100,000 GIC that yields him \$4,500 per year and after he pays income tax, he nets out at \$2,546.55 (at his 43.41% marginal tax rate). Bill is not concerned with preserving the \$100,000 for his estate as he has a sizeable estate otherwise and his 4 adult children are all successful in their careers.

After a few meetings with his financial planner, Bill, and a representative from TB Vets, decides to set up a Charitable Gift Annuity that involves the following steps:

1. Bill transfers the **\$100,000** of capital to TB Vets.
2. Bill would like to receive an income of **\$8,300** annually. An amount of **\$71,163.86** is needed to purchase a prescribed commercial life annuity from one of Canada's major life insurance companies to produce **\$8,300** per year, guaranteed for life, and with a minimum guaranteed period (this amount varies with the insurance company and guaranteed period chosen).
3. The remaining amount of **\$28,836.14** is retained

by TB Vets, representing the gift. Bill receives a donation receipt of **\$28,836.14**, which will offset other income tax owing, and he can use the full tax receipt in this income tax year, to generate a tax credit of approximately **\$13,382.85**.

4. In addition, his annual taxable income is reduced by **\$3,536.48** because of the tax preferred way in which the prescribed annuity is taxed each year. This in turn reduces his Old Age Security clawback by **\$530.47** annually, and gives him an additional **\$300.19** of after tax income to bring his total after tax annual income to **\$8,181.93**.

Some of the reasons why this strategy fits perfectly with Bill's goals are as follows:

- Bill will be able to give an immediate gift to TB Vets.
- Bill will receive a donation receipt to offset income tax.
- Bill will receive an increased lifetime income.
- The annuity will make up a part of his fixed income portfolio to stabilize his annual income.
- The annual income is guaranteed and insured through one of Canada's major life insurance companies.
- Bill finds great satisfaction in realizing his gift during his lifetime.

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.

Next Issue: Another "Charitable Gift Annuity Case Study"