

## VARIOUS DONATION OPTIONS USING LIFE INSURANCE

In last month's issue, I explained how the entire amount of life insurance proceeds could be claimed against your deemed income in the year of your death, if TB Vets was named the beneficiary directly. It is in the year of death that most clients will be faced with the highest tax bill. Tax must be paid on all accrued capital gains, all money remaining in your RRSP or RRIF and all recaptured depreciation (depending on whether there are no eligible "rollovers"). The tax credit on the charitable bequest could be used to offset the tax otherwise payable by a person's estate.

Prior to the February 2000 Budget, direct beneficiary designations of charities on life insurance policies, RRSP's and RRIF's did not entitle the donor to a charitable tax credit on their death for the amount of the proceeds. To be entitled to the credit, the donation had to be made in the donor's will. The changes will now allow for tax credits where direct beneficiary designations are made on these products provided the donor died after 1998 and the policyholder or RRSP /RRIF annuitant is the same person as the donor. Here is a chart explaining the various donation options:

OWNER	BENEFICIARY DESIGNATION	REVOCABLE	SUBJECT TO PROBATE	TAX CREDIT
Donor	Estate (with legacy to TB Vets in Will)	Yes, by changing your will	Yes	Yes – Credit is based on amount left to TB Vets in Will on insured's death (credit claimed on final tax return)
Donor	TB Vets	Yes, by changing the beneficiary	No	Feb. 29/00 Budget (now law) – allows tax credit retroactive to Jan. 1/99 for deaths after 1998; prior to Jan. 1/99, no credit was available.
TB Vets (from outset)	TB Vets	No	No	Yes – as each premium is paid, based on annual premium
Donor	Absolute assignment to TB Vets	No	No	Yes – as each premium is paid, plus credit on the value of policy at date of assignment

Depending on how the contract is structured, life insurance can have numerous advantages when used as a charitable gift.

**Next Issue: RRSP or RRIF Insurance with a Case Study"**

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.