

USING LIFE INSURANCE AS A CHARITABLE PLANNED GIFT

Given the existing tax-environment in Canada, more and more individuals are looking for opportunities to minimize the final tax they are going to pay when they pass away. A number of estate planning strategies use charitable giving as a means to reduce the terminal tax bill. As well, planned giving provides a tool by which people of modest means can leave a sizeable bequest to TB Vets with minimal impact on their beneficiaries.

Life insurance is a vehicle that is often used to provide the best solution. To be effective, however, the policy must be permanent in nature – this means it must continue to be in effect until a person passes away. There are many types of policies that can be used, either a Term to age 100, Universal Life, or even Whole Life. Depending on how the policy is structured, life insurance can have numerous advantages when used as a charitable gift:

- ▶ You can create a large donation on death for a relatively small cost.
- ▶ You can leave your entire estate intact for your other beneficiaries.
- ▶ A life insurance policy can generate a larger gift than an investment in a taxable vehicle would.
- ▶ The life insurance policy can be paid directly to TB Vets, thus avoiding probate fees.
- ▶ Should TB Vets require money before your death, the charity may be able to borrow against the policy, or cash it in – provided TB Vets is the owner of the policy.

- ▶ The life insurance policy can generate an immediate tax credit for your estate to offset capital gains tax payable on death.
- ▶ You can remain anonymous if so desired.

The life insurance policy itself can also be structured in a number of ways:

- ▶ You can make TB Vets both the owner and the beneficiary of the policy, then the premiums you pay each year will generate a tax credit each year. The life insurance proceeds payable at your death will go directly to TB Vets.
- ▶ You could own the life insurance policy personally and make TB Vets the beneficiary directly. While it will not generate an annual tax credit for you, it will allow the entire proceeds of life insurance to be claimed against your deemed income in the year of your death.

More about the beneficial structuring of life insurance in a charitable giving environment next time!

Next Issue: “Various Donation Options Using Life Insurance”

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.