



FOUNDATION

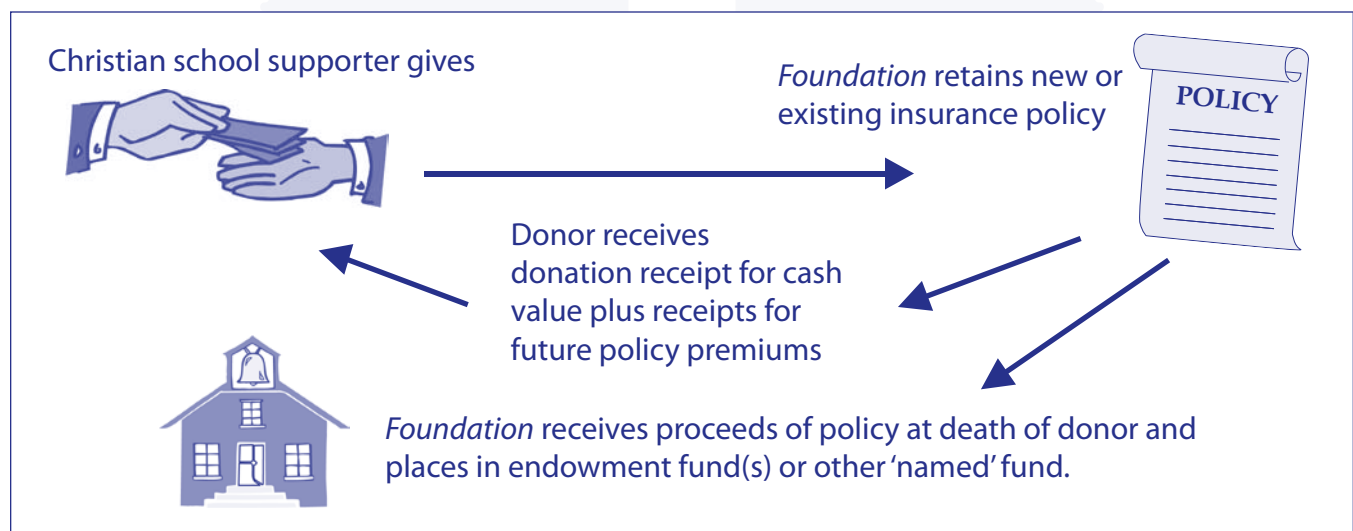
for Niagara & Hamilton area Christian Schools

Gifts with Life Insurance

Life insurance can be an excellent planned giving tool for a donor who wishes to make a substantial gift to the *Foundation* to benefit the member Christian schools. It is a way for moderate, tax-deductible deposits to be leveraged over time, resulting in a significant gift at the time of death. New or existing life insurance policies may be donated. There are many different ways life insurance can be incorporated into estate planning for the purpose of charitable giving (i.e. planned giving). Usually, some form of permanent insurance is used to fund gifts of this type. The following information provides a general overview of several of the basic methods.

Features of Charitable Life Insurance

- easy to set up and manage
- irrevocable gift if the *Foundation* is named as owner and beneficiary
- tax credits for cash value and for future premiums paid – or –
- tax credit for donor's estate if the *Foundation* is the beneficiary only
- gift not subject to probate if death benefit paid directly to *Foundation*



Enhancements under Canada's 2000 Federal Budget

Under the year 2000 Federal Budget, there were enhancements to the tax treatment of gifts made using life insurance, making it a more effective gifting tool for donors.

Now, donors may name charities, such as our *Foundation*, as beneficiaries of a life policy and have their estate receive tax credits for the gift at death even though it does not go through the will. They might instead, name the *Foundation* as both owner and beneficiary and receive receipts for premiums paid and/or cash value for immediate tax relief. Two examples follow on the reverse side.

Receive an immediate and regular tax receipt

Where a donor names our *Foundation* as both the owner and beneficiary of a new or existing life insurance policy, an irrevocable (cannot be changed) gift is made – resulting in charitable tax receipts for the cash value built up in an existing policy, as well as for any future premiums paid.

A donor might choose this method if he or she has higher annual income and can benefit from the immediate and annual donation receipts.

Example: Mr. Smith is a very generous Christian school supporter. He wishes to leave the majority of his assets to his children but still wants his support of the Christian schools to continue after his death. He purchases a new \$100,000 life insurance policy and names the *Foundation* as both the owner and beneficiary of the policy. He will receive a charitable donation receipt for all the premiums he will pay. Upon his death, the *Foundation* receives the \$100,000 to establish a fund for a special purpose or to replace the annual donation stream from Mr. Smith.

Benefit your estate

When a donor names our *Foundation* as beneficiary of a new or existing policy but retains ownership of it, the gift is revocable (can be changed) so no immediate tax receipts for the cash value or for the annual premiums can be issued. Instead, on the death of the donor, the *Foundation* receives the policy's death benefit and issues a donation receipt to the donor's estate. The resulting tax credits offset the donor's taxable income in the year of death. Because the gift passes outside of the estate, probate fees are also reduced.

A donor might choose to structure a life insurance gift in this manner if he or she faces a significant tax liability in their estate due to RRSP/RRIF or capital gains income.

Example: Mrs. Jones is also a very generous Christian school supporter. She purchases a new \$100,000 life insurance policy and names the *Foundation* as the beneficiary but retains ownership of the policy. Mrs. Jones will incur a large amount of capital gains income from her investments when she dies. Upon her death, the *Foundation* receives the \$100,000 death benefit and places it in the local Christian school endowment fund, in accordance with Mrs. Jones' wishes. The *Foundation* issues a donation receipt to be used by the estate to offset income in the year of death (as well as in the year prior in many cases).

We're here to help!

Because of the many possibilities surrounding gifts of life insurance – all with varying tax implications – potential donors should seek professional advice before proceeding. We are also available to review options best suited for your estate and charitable planning needs.



FOUNDATION for Niagara & Hamilton area Christian Schools

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