



Westlock Community Foundation

Legacy Life Insurance

LIFE INSURANCE IN PHILANTHROPY



- ▶ Life Insurance when combined with Charitable Gifting and Estate Planning can produce significant benefits for Charities and Donors alike on funds that otherwise would be payable to Revenue Canada.

There are three places you can leave your estate

Family - Government - Charity
Choose two.

You can leave your wealth to the CRA and your
family... or leave it to your family and a cause
you care about.

Clients who may consider Philanthropy

- ▶ Widows, widowers, divorcees and singles.
- ▶ Selling or having sold a business.
- ▶ Completing an estate freeze.
- ▶ Having a private foundation or donor advised fund.
- ▶ Estate tax bill on the death or of the surviving spouse.
- ▶ Currently leaving a bequest in a will.

When considering a donation to a charity, the use of life insurance can *super-charge* a donation.

Ways to use Insurance for Charitable Donations

- ▶ Split the beneficiary of an existing policy. Keep, for example, 80% for your intended beneficiary and give 20% to your favorite charity (policy must be in place for a few years).
- ▶ A charitable tax receipt will reflect the 20% donated on death.

Donate an existing policy you no longer need.

- ▶ Have the policy valuated for fair market value (FMV).
- ▶ Receive a charitable tax receipt for the FMV, as well as any future premium payments.

For example:

\$200,000 policy donated

\$50,000 FMV

\$25,000 Tax saved

Donor recognized for a \$200,000 donation to charity

Donate a New Policy.

- ▶ The same money paid each month for donation creates greater impact.
- ▶ Want to turn \$60 per month into \$100,000?
- ▶ As the donor, you need to decide if you wish to have the ongoing annual premium tax credit or the larger tax credit for your estate on death.

For example:

\$100,000 Term 20 on a 55 year-old male

Choose \$720 tax credit each year or \$100,000 tax credit on death

Use CPP Income

- ▶ If you don't need your CPP income for lifestyle, use those funds to pay for a new policy.
- ▶ Option 1: Have the policy owned by the charity, with the charity as the beneficiary. This saves you the tax on CPP income AND leaves a large donation legacy.
- ▶ Option 2: Take your CPP funds and pay personal tax, then buy a policy that is donated by your estate on death.

For example:

- ▶ Use \$26,000 CPP income to buy a \$1,450,000 joint last policy for 65 year-olds.
- ▶ Save \$750,000 in tax to the estate.
- ▶ Charity receives \$1,450,000 gift.

CPP strategy alternate ages

- ▶ \$1,050,000 joint last policy, 70-year-olds.
 - ▶ Save \$525,000 in tax to the estate.
 - ▶ Charity receives \$1,050,000 gift.
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- ▶ \$750,000 joint last policy, 75 -year-olds.
 - ▶ Save \$375,000 in tax to the estate.
 - ▶ Charity receives \$750,000 gift.

Donate a policy that would otherwise lapse

- ▶ Term insurance can become prohibitively expensive as you age.
- ▶ Consider having the policy valuated.
- ▶ Donate to a charity. The charity continues to pay the premium.
- ▶ Receive a tax credit for 10 to 50% of face amount.
- ▶ You are recognized for the gift.

Canada Life - My Par Gift

- ▶ This is a Single Premium Insurance Policy.
- ▶ The Donor makes a one-time payment and can offset the contribution against 75% of their net annual taxable income.
- ▶ It provides 5 - 20 times the net value of the one-time premium.
- ▶ It also can produce annual income for the Charity.
- ▶ The tax credit can be spread over the current year plus 5 to solve 75% issue.

**Female Client, female, age 65, non-smoker, standard
Male Client, male, age 65, non-smoker, standard**

Payout on death	Single premium payment
Female Client and Male Client:	
\$722,815	Canada Life My Par Gift \$500,000.05
Joint last-to-die (Paid-up additional coverage)	
\$722,815	Total payout on death

The non-guaranteed values in the table below are based on the current dividend scale.

Policy year	Premium payment	Cash value			Payout on death		
	Single premium payment (\$)	Guaranteed (\$)	Dividend value* (\$)	Total* (\$)	Guaranteed (\$)	Dividend value* (\$)	Total* (\$)
1	500,000	185,597	14,806	200,403	722,815	26,463	749,278
2	-	213,635	31,369	245,005	722,815	54,890	777,705
3	-	242,374	49,695	292,069	722,815	85,167	807,982
4	-	271,815	69,170	340,984	722,815	116,154	838,969
5	-	301,934	89,880	391,815	722,815	147,890	870,705
6	-	332,726	111,894	444,621	722,815	180,402	903,217
7	-	364,176	135,238	499,414	722,815	213,731	936,546
8	-	396,254	159,976	556,230	722,815	247,928	970,743
9	-	428,933	186,488	615,421	722,815	283,525	1,006,340
10	-	462,161	215,174	677,335	722,815	320,916	1,043,731
11	-	469,866	246,091	715,957	722,815	360,309	1,083,124
12	-	478,373	279,152	757,526	722,815	401,225	1,124,040
13	-	487,481	314,126	801,607	722,815	443,524	1,166,339
14	-	496,841	351,211	848,052	722,815	487,285	1,210,100
15	-	506,202	390,650	896,852	722,815	532,584	1,255,399
16	-	515,584	432,392	947,976	722,815	579,614	1,302,429

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Win-win: Corporate Insurance and Gift

- ▶ Assume you and your spouse own a \$10,000,000 corporation.
- ▶ You wish to give a donation of \$2,000,000 to a charity from your estate.
- ▶ The corporation places a \$2,000,000 joint-last policy on your lives.
- ▶ Upon the demise of the last survivor the estate will donate \$2,000,000 of shares to the charity, as directed in your will, leaving \$8,000,000 in shares.
- ▶ The corporation will receive the insurance proceeds and redeem the shares from the charity.

Result:

- ▶ The charity receives \$2,000,000 tax-free.
- ▶ The estate receives a \$1,000,000 tax credit.
- ▶ The value of the gifted shares are returned to the heirs. Company now back to being worth \$10,000,000.
- ▶ PLUS: The receipt of insurance creates a \$2,000,000 tax-free dividend called the Capital Dividend Account (CDA)(minus ACB) to the corporation for the heirs.

Corporate vs. Personal Donation



Donating with cash, cheque, or credit card is the least effective in donation.



You can make a larger insurance purchase for donation with lower corporate after-tax dollars than you can with personal.

Questions? Please
contact us!

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