

GIFTS OF LIFE INSURANCE

Life insurance is the one asset almost everyone has. For the young parent with limited dollars, it is a way to protect the family against economic loss in the event of a parent's premature death. For the business owner, it may provide dollars to buy out a deceased partner's interest or compensate for the loss of a key manager. For older individuals, it provides the liquidity needed to settle an estate and pay taxes.

Life insurance has another important use: it is a popular and practical way to make a significant gift to charity. Your gift to (*Charity*) will be wisely administered through our investment program which will result in a stable source of income to (*Full Name of Charity*) for years to come.

Q: What are the ways to give life insurance?

A: You can retain ownership of the policy and designate (*Full Name of Charity*) to receive all or a fraction of the death proceeds, or you can transfer ownership of the policy to (*Charity*), relinquishing all of your rights.

Q: How do I make the death proceeds payable to (*Charity*)?

A: The simplest – and the preferred – way would be to name (*Charity*) as the beneficiary of the policy. (*Charity*) would then receive the proceeds at your death. Another way would be to make your estate the beneficiary of the proceeds and add a bequest in your will providing an equivalent amount for (*Full Name of Charity*). The disadvantage of this alternative is that the proceeds would be subject to probate taxes.

While neither method yields any tax credit during your lifetime, they both enable your estate to claim a credit on the final tax return after your death.

*For example, Everett J makes the \$50,000 proceeds of his policy payable to (*Full Name of Charity*). When he dies, his estate will receive a donation receipt for \$50,000, which may result in a substantial tax credit on his final return.*

Q: Can a life insurance gift reduce my current income taxes?

A: Yes, if you transfer ownership of the policy to (*Full Name of Charity*). You will receive a donation receipt for the cash value of the policy which is creditable on your current year's return. If your donation receipt exceeds 75 percent of your net income, the excess may be carried forward up to five years. If premiums are still owing and you continue to pay them, you will receive donation receipts for those payments as well.

William N. gives a paid-up policy with a \$100,000 face value and a \$40,000 cash value. His donation receipt is for \$40,000, which results in a tax credit of \$18,560 (assuming a combined tax credit of 46.4-percent).

Q: What if I don't have an old policy to give?

A: You can take out a new policy in the name of (**Charity**) and spread the payments over a period of years. At your death, (**Charity**) will receive the full face amount of the policy. Meanwhile, you'll receive donation receipts for the premiums you pay, thus reducing your actual out-of-pocket cost.

David R, age 45, makes his gift through a \$150,000 "twenty-year-pay" policy. For twenty years he pays annual premiums of \$1,962. Assuming a combined tax credit of 46.4 percent, he realizes a tax saving of \$910 each year, reducing his out-of-pocket annual cost to \$1,052. Thus, for a net cost of only \$21,040 (20 x \$1,052), David provides (**Full Name of Charity**) with a future gift of \$150,000.

Q: Are there other ways to use insurance in charitable giving?

A: An insurance policy is a good way to provide "wealth replacement" when you donate an asset you might otherwise leave to your heirs.

At age 60, Marilyn D contributes \$100,000 to (**Charity**) and realizes tax savings of \$46,400 over the period she claims the donation receipt. She uses \$22,000 of the tax savings to purchase a paid up \$100,000 policy. At her death it will go to her children, replacing the amount she gave to charity. Meanwhile, she still saves \$24,400 in taxes through her gift.

A GIFT OF LIFE INSURANCE --

It can be a fulfilling use for a no-longer-needed asset, or the way to make a generous future gift for a modest current cost.

Full Name of Charity
Street Address
City, Province, Postal Code
Telephone
Email
Website

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