

GIFTS OF LIFE INSURANCE

We all know how important life insurance can be in providing security for a growing family and support in times of unforeseen need. But life insurance can also be a way of helping others meet their need for (*words appropriate to mission of Charity...*). Through (*Full Name of Charity*), a life insurance policy can bring new hope and opportunity to (*words describing those served by Charity...*).

There are several ways you can use life insurance to make your gift to (*Charity*). You can contribute a policy you already own but no longer need, or purchase a new one as your gift. And if you have other assets you'd like to contribute to (*Charity*), you can use life insurance to replace the value of those assets for your heirs.

Giving the proceeds

Many years ago, Russell C. took out a \$50,000 life insurance policy, naming his wife as beneficiary, to provide security for his young family. But he is a widower now and has other assets to leave to his children, so he has decided to have the insurance proceeds payable at death become his gift to (*Full Name of Charity*).

The best way to do this is by simply designating (*Charity*) as the replacement beneficiary. At Russell's death, his estate will be entitled to a donation receipt for the \$50,000, yielding a sizeable credit to be applied to his final tax return. (If the donation receipt exceeds 100 percent of his income in that year, a portion of it can be carried backward to the previous year, and the 100 percent limitation will apply to that year as well.) In that way, his gift to (*Charity*) actually increases the amount of his other assets that will pass to his children.

Note: He could also name his estate as beneficiary to receive the \$50,000 proceeds and add to his will a bequest to (*Charity*) for a like amount. However, this method of making a gift is less desirable because the proceeds would first be subject to probate.

Giving the policy itself

Now in her eighties, Celeste M. finished paying for her \$25,000 policy some years ago and had almost forgotten about it when she began thinking of a gift to (*Full Name of Charity*). Since she cannot afford to give up an income-producing asset, the insurance will make an ideal gift.

In addition to naming (**Charity**) as beneficiary, she also transfers ownership of the policy to it. That way, her gift is irrevocable and she receives a donation receipt for the current value (often the 'cash surrender value') of the policy, which translates into a very welcome tax credit on this year's tax return. If the donation exceeds 75 percent of her income for the year, she can carry the excess forward up to five years.

(Note: Celeste's policy was paid up, but she could also have made the gift if premiums were still owing. By giving the policy to (**Charity**), she would still receive a donation receipt for its current value, and if she continued to pay the premiums, she would receive donation receipts for those payments, too.)

Giving a new policy

Gerald K, age 45, has some discretionary income but cannot afford to contribute any of his capital. He purchases a new life insurance policy with a face value of \$50,000, names (**Charity**) as owner, and plans to pay annual premiums of \$1,600 for ten years, receiving a donation receipt for each premium paid. His combined tax credit (assumed to be 46.4-percent) will be \$742.40 annually, so his out-of-pocket cost to assure a future gift of \$50,000 is only \$857.60 per year.

Replacing a donated asset

Gladys C., age 60, contributes \$100,000 cash to (**Full Name of Charity**), and during the time she takes to report her contribution (maximum of 75 percent of net income per year), her tax savings (at 46.4-percent) total \$46,400. She uses \$25,000 of her tax savings to pay up a life insurance policy of which her children are the beneficiaries, and retains the balance. As a result, (**Charity**) receives \$100,000 now, the children receive \$100,000 at her death, and she pockets \$20,000 that otherwise would have been paid in taxes.

LIFE INSURANCE -- It can help you make a truly generous gift tomorrow at an affordable cost today!

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

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