

THE COMMEMORATIVE GIFT: IN MEMORY OR HONOUR OF ANOTHER

One of the greatest satisfactions in making a charitable gift is the opportunity to pay tribute to someone who has touched your life in a meaningful way. That's why commemorative gifts – in memory of someone deceased or in honour of one who is still living – are perennially popular and appropriate. Through such a gift, you may honour a relative and perpetuate your family name, or you may recognize a mentor or friend who has greatly shaped your life. At the same time, your gift expresses your own commitment to the future of your community and provides valuable support for the charitable purposes you believe in.

Various giving techniques may be used in making a commemorative gift, and each yields certain tax benefits. If you have available resources and would like to see your gift go to work at once, consider an "outright gift." Here's an example:

Mary B.'s mother recently passed away and Mary wants to do something special to pay tribute to her memory. She contacts the charity where her mother volunteered for many years, and learns that it is seeking funding to decorate and furnish a conference room. In memory of her mother, Rose contributes \$25,000 for this project. The useful and attractive room will perpetuate her mother's memory, and Rose will receive a donation receipt for the full amount of her gift. Assuming a combined federal and provincial tax credit of 46 percent, this gift can yield income tax savings of as much as \$11,500.

Mary designated an immediate use for her gift. Other donors may prefer to direct their commemorative gifts to the charity's endowment, where the gift principal remains intact and only distributed earnings are used, either for a purpose designated by the donor or for the charity's general purposes. A "named endowed fund" is a particularly appropriate way to ensure that the name of the person honoured will be remembered far into the future.

Another technique for making a commemorative gift is the bequest.

Roger B.'s wife died last year, but he is deeply grateful to the health centre where she found relief from the effects of a debilitating disease. As he updates his will, Roger includes a bequest of \$100,000 to the health centre, where it will be used to establish an endowed fund in his wife's name.

Income distributions from the fund will honour her memory and fund research into the causes and treatment of the disease with which she struggled so valiantly. At Roger's death, his estate will receive a donation receipt for the full amount of the gift. The tax credit will offset taxes on other income, including capital gain, which must be reported on his final return.

A third way to make a commemorative gift is to name the charity as beneficiary of a life insurance policy or a retirement plan. In both cases, the charity will issue a donation receipt for the proceeds received, and this will result in a tax credit on the donor's final income tax return. Proceeds received from a life insurance policy upon the death of the insured are not taxed, so the credit reduces tax on other income. Distributions from a retirement plan are taxed, but the credit offsets the tax. So there is effectively a tax-free distribution.

Carl H., a retired university professor 74 years of age, wants very much to endow an annual lecture in honour of his long-time mentor and friend who is now a professor emeritus at the same institution. Carl names the university as beneficiary of 20 percent of his RRIF, and at his death the university receives \$50,000, which is 20 percent of the \$300,000 remaining in the RRIF. That gift is invested in the institution's endowment, and the distributions from it cover the cost of the lectureship. The tax credit from the gift offsets the tax on the distribution to the University, so the lectureship is funded without a net cost to Carl's estate.

Mary, Roger and Carl have discovered the satisfaction that comes from honouring a friend or loved one by means of a commemorative gift. You can discover it, too, through a gift to (Name of Charity). We'll gladly provide you with further information on the various ways of making a commemorative gift and our policies on named endowments. We would be pleased to discuss with you possible uses for your gift and appropriate recognition for the one in whose name it is given. Through (Charity), your tribute to one person will touch the lives of many others!