

GIVING BACK

Dedicating a portion of your wealth to charity is one of the noblest gestures you can make. That's because donors are the reason why charities can better our communities and our lives. Whether dedicated to researching medical cures or to helping those in need, charities and other non-profit institutions depend on benevolent individuals for funding. What better way to make a difference to society than by contributing to their ability to perform good work?

By incorporating charitable giving into a comprehensive estate plan, your assets can benefit organizations or causes you care about. In turn, this can fulfil your philanthropic objectives while being personally rewarding. But ensuring that your intentions are satisfied requires more than simply writing a cheque to your favourite cause. With proper planning, your generosity can go further with an impact beyond your expectations.



WHAT IS CHARITABLE GIVING?

Charitable giving is the process of designating charitable gifts that realize a donor's altruistic goals, while maximizing tax and other financial benefits for the contributor. To encourage giving, the Canadian government rewards philanthropy with tax-saving incentives. Life insurance is one solution that can benefit donors, their families and charities. With life insurance, you can commit to the gift and make funds available sometime in the future to a specified charity.

GIFTING PLANS USING LIFE INSURANCE

When using life insurance for charitable giving, the proceeds of the policy are bequeathed to a charity. These are usually many times more than the value of the premiums. As an added bonus, life insurance policies typically avoid or reduce estate taxes. Life insurance can be incorporated into charitable giving plans to suit each individual's philanthropic needs and provides some advantages over other methods of gifting.

BENEFITS OF USING LIFE INSURANCE FOR CHARITABLE GIVING

- Doesn't tie up assets today as the gift is deferred until after death of donor
- Leaves funds free to produce income during donor's lifetime
- Enables you to make a substantial gift in the future while paying small premiums today
- Tax credit choice: Can structure to receive current charitable tax credit or a charitable tax credit for estate
- Personal fulfilment from supporting a cause you believe in Benefits to Charity
- Receives larger gift than may have through a cash donation
- Possibility for future planning based on knowledge



BENEFITS TO CHARITY

- Receives larger gift than may have through a cash donation
- Possibility for future planning based on knowledge of future gift
- Prompt payment of proceeds to charity

TAX BENEFITS

Charitable giving can contribute to minimizing taxes during your lifetime and can go a long way to protecting your assets for your heirs. With life insurance, you can use the tax credits today when premiums are paid or defer them for use by your estate upon your death. If applied after the donor's death, charitable donations can be claimed for the year of death, with any unused portion carried back to the preceding year to reduce tax liability.

TWO WAYS OF INCORPORATING LIFE INSURANCE INTO CHARITABLE GIVING

There are two common ways of providing a legacy through a life insurance policy. In each case, the charity will receive proceeds on the donor's death. These should be considered carefully as the tax implications differ.

Charity Designated As Owner And Beneficiary Of Policy

The existing policy is transferred directly to the charity and the donor receives a federal tax receipt for the cash surrender value. Individuals considering this option should consult with their tax advisors as they may incur a tax liability if the cash surrender value of the policy exceeds the cost base of the policy. All premiums paid under this option are tax-deductible.

Insured Designated As Owner And Charity Designated As Beneficiary

Upon the death of the insured, the charity receives the death benefit proceeds of the policy. The donor's estate receives a tax receipt for the full amount of the insurance proceeds. The owner has the option to change the beneficiary as needed. You should note that the deceased may not be able to use the donation tax credit if income in the year of death plus income in previous year is less than the face value of the policy.

LIFE INSURANCE POLICY CHOICES

The alternatives for gifting life insurance policies are flexible to meet your particular circumstances. These include:

Gifting An Old Policy To A Charity

If you have a policy you no longer need, you can gift it to your favourite charity.





Buying A New Policy For The Charity

This can potentially provide a large gift relative to the premiums paid. Since the charity is the owner of the policy from inception, the life insurance death benefit will not be part of the donor's estate.

Changing A Policy Beneficiary To A Charity

You can designate a charity of your choice as the beneficiary for a portion or the entire proceeds. This permits you to retain control of the policy because you remain the owner. The donor's estate receives a full charitable estate deduction for the amount donated to the charity.

ANOTHER OPTION: CHARITABLE GIFT ANNUITY

Although not available in all provinces, a charitable gift annuity is an arrangement where an irrevocable donation is made and an annuity is purchased to provide periodic income for the donor. The income stream is guaranteed for life or a set number of years and the charity will be entitled to the capital on the donor's death. A charitable gift annuity can be structured in several ways including arrangements where a portion of the capital can be available to the charity before the donor's death.

FINDING THE BEST SOLUTION

Charitable giving is always a winning gesture all the way around. It ensures that charitable institutions can fulfil their missions and provides you and your family with satisfaction. With careful planning you could maximize tax benefits for you, your family and your charity. The personal satisfaction that comes from endowing a worthwhile Canadian institution is far more rewarding than any financial gains you may receive.

Your CIBC Wood Gundy Investment Advisor along with an Estate Planning Specialist (Financial Security Advisor in Quebec) can help you to determine which life insurance alternative will work best for you and the charity you are supporting. Contact your CIBC Wood Gundy Investment Advisor who can provide a wealth of information on charitable giving including a Special Report entitled Charitable Giving. Depending on what option you select, different tax implications apply. You should consult your legal and tax advisors to get additional information pertinent to your situation.

To explore the benefits of charitable giving through life insurance, please speak to your CIBC Wood Gundy Investment Advisor.

The information contained herein is considered accurate at the time of printing. CIBC and CIBC World Markets Inc. reserve the right to change any of it without prior notice. It is for general information purposes only. Clients are advised to seek advice regarding their particular circumstances from their personal tax advisor. Insurance services are available through CIBC Wood Gundy Financial Services Inc. In Quebec, insurance services are available through CIBC Wood Gundy Financial Services (Quebec) Inc. CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and Member CIPF.