Planned giving with a new life insurance policy

A tax-smart strategy to achieve your charitable goals

Favorite Charity

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PLANNED GIVING WITH A NEW LIFE INSURANCE POLICY

YOUR CURRENT SITUATION

You would like to support a cause that means a lot to you and give back to your community by making a generous donation upon your death — but without incurring high costs or affecting the value of your estate for your loved ones. With planned giving, it's possible to reach your charitable goals by donating a new life insurance policy to a registered charity or other qualified donee (for the purposes of this document, we'll use the term "registered charity").

WHAT IS PLANNED GIVING WITH A NEW LIFE INSURANCE POLICY?

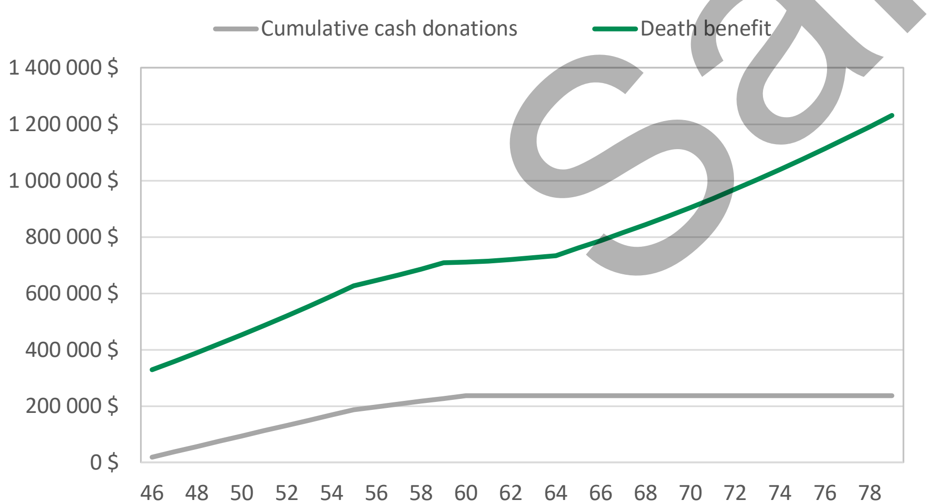
With this strategy, you can turn a premium commitment into a significant charitable gift on your death. You benefit from tax savings now and reduce the impact on the value of your estate.
There are different planned giving strategies to choose from. The one presented here involves paying premiums on a new permanent life insurance policy where the policyowner and the beneficiary is a registered charity. This means that for every year you pay premiums, you'll be able to claim federal and provincial charitable donation tax credits.

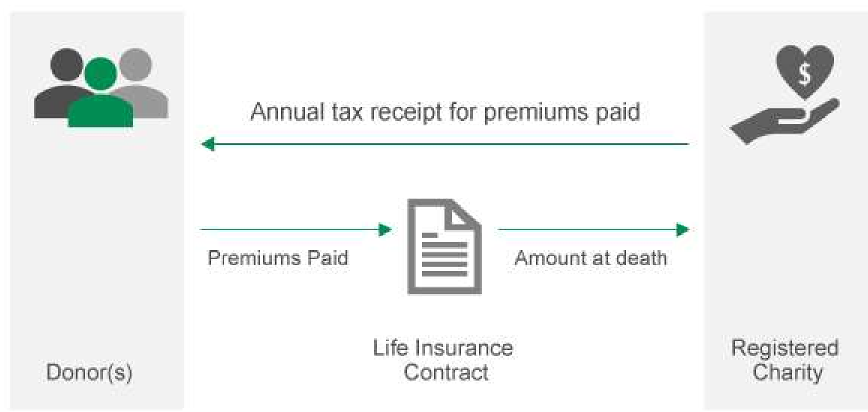
HOW DOES THE STRATEGY WORK?

- You take out a new permanent life insurance policy.
- You choose a registered charity to be the policyowner and the beneficiary.
- Prior to initiating the process, you must validate and coordinate this planned giving strategy with the charity or foundation of your choice.
- As the donor, you pay the premiums on the policy. You're also named as an insured on the policy.
- Once the policy is in force, the charity will issue an official tax receipt every year for the premiums that you have paid, which you can use to claim federal and provincial charitable donation tax credits under the federal Income Tax Act and the tax laws in your province or territory of residence.
- The charity receives the life insurance benefit amount upon your death.

The financial impact of planned giving with a new life insurance policy

Comparison: Cumulative cash donations equivalent to annual life insurance premiums versus the death benefit from a life insurance policy.





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WHO IS THIS STRATEGY FOR?

This strategy is designed for healthy people who would like to use their income right now to ensure that they can make a large charitable donation upon their death to help make the world a better place for current and future generations.

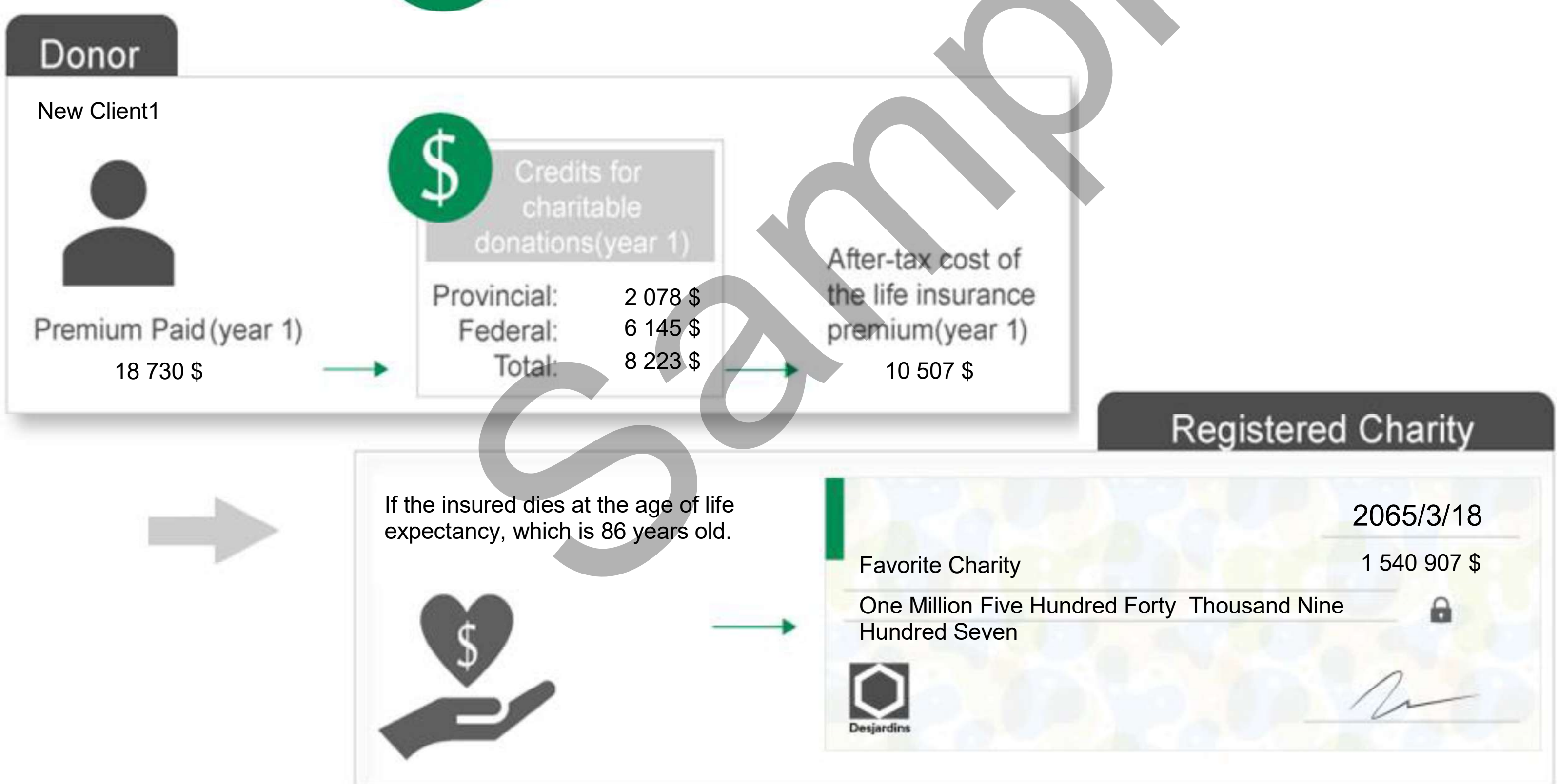
ADVANTAGES OF PLANNED GIVING WITH A NEW LIFE INSURANCE POLICY

As the donor, you can:

- reach your philanthropic goals by helping a charity of your choice while enjoying immediate tax breaks
- make donations more easily since complicated legal documents are not required
- support multiple causes by way of donations through community foundations (community foundations are sometimes more flexible about making changes—additions, substitutions, withdrawals—to the causes you choose initially)
- minimize the impact of your planned gift on the value of your estate

The charity can:

- use this strategy to optimize their fundraising results
- benefit from an easy and reliable source of funding for their future charitable activities
- receive a large amount upon your death



SCENARIOS AND ASSUMPTIONS

Insured	
New Client1 (45 yo, Male, Preferred / Non-smoker)	
Life Expectancy	86

Policyowner
Favorite Charity

Illustration	
Product	Participating Life Insurance
Coverage Category	Permanent Life
Coverage Type	Individual
Coverage	Estate Enhancer – 20 Pay
Amount	300 000 $

Dividend Option	Paid-Up Additions (PUA)
Dividend scenario	Current
Premium Offset	Yes, begins at year 16
Add. Deposit Option (ADO)	Yes, refer to illustration for details.
Withdrawals	No

Premium and deposit (1st year)	
Annual Premium and Deposit	18 730,00 $
Annual Income before Tax	350 000 $

Federal and provincial charitable donation tax credit estimates for the current fiscal year are based on the following amounts:

Taxable income over 220 000 $*

Province of reference (Ontario)

* As at 2024-09-09

LIFE INSURANCE POLICY DONATION – FINANCIAL PROJECTIONS

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				Tax credit for 2024			Planned Giving			
End of Year	**Age**	**Annual Premium and Deposit**	**Cumulative Annualized Premiums**	**Federal**	**Provincial**	**Combined**	**Net Cost**	**Cumulative Net Cost**	**Total Death Benefit**	**Advantage of Donating of a Life Insurance Policy vs Making a Cash Donation**
1	46	18 730 $	18 730 $	6 145 $	2 078 $	8 223 $	10 507 $	10 507 $	328 734 $	310 004 $
2	47	18 730 $	37 460 $	6 145 $	2 078 $	8 223 $	10 507 $	21 014 $	358 366 $	320 906 $
3	48	18 730 $	56 190 $	6 145 $	2 078 $	8 223 $	10 507 $	31 521 $	388 840 $	332 650 $
4	49	18 730 $	74 920 $	6 145 $	2 078 $	8 223 $	10 507 $	42 028 $	420 179 $	345 259 $
5	50	18 730 $	93 650 $	6 145 $	2 078 $	8 223 $	10 507 $	52 535 $	452 382 $	358 732 $
6	51	18 730 $	112 380 $	6 145 $	2 078 $	8 223 $	10 507 $	63 042 $	485 493 $	373 113 $
7	52	18 730 $	131 110 $	6 145 $	2 078 $	8 223 $	10 507 $	73 549 $	519 529 $	388 419 $
8	53	18 730 $	149 840 $	6 145 $	2 078 $	8 223 $	10 507 $	84 056 $	554 505 $	404 665 $
9	54	18 730 $	168 570 $	6 145 $	2 078 $	8 223 $	10 507 $	94 563 $	590 420 $	421 850 $
10	55	18 730 $	187 300 $	6 145 $	2 078 $	8 223 $	10 507 $	105 071 $	627 323 $	440 023 $
11	56	9 868 $	197 168 $	3 220 $	1 089 $	4 309 $	5 559 $	110 629 $	645 707 $	448 539 $
12	57	9 868 $	207 036 $	3 220 $	1 089 $	4 309 $	5 559 $	116 188 $	665 213 $	458 177 $
13	58	9 868 $	216 904 $	3 220 $	1 089 $	4 309 $	5 559 $	121 746 $	685 833 $	468 929 $
14	59	9 868 $	226 772 $	3 220 $	1 089 $	4 309 $	5 559 $	127 305 $	707 676 $	480 904 $
15	60	9 868 $	236 640 $	3 220 $	1 089 $	4 309 $	5 559 $	132 863 $	710 297 $	473 657 $
16	61	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	714 243 $	477 603 $
17	62	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	719 473 $	482 833 $
18	63	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	725 942 $	489 302 $
19	64	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	733 679 $	497 039 $
20	65	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	760 605 $	523 965 $
21	66	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	787 359 $	550 719 $
22	67	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	815 083 $	578 443 $
23	68	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	843 761 $	607 121 $
24	69	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	873 489 $	636 849 $
25	70	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	904 318 $	667 678 $
26	71	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	936 291 $	699 651 $
27	72	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	969 398 $	732 758 $
28	73	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 003 669 $	767 029 $
29	74	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 039 064 $	802 424 $
30	75	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 075 519 $	838 879 $
31	76	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 113 040 $	876 400 $
32	77	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 151 469 $	914 829 $
33	78	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 190 710 $	954 070 $
34	79	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 230 654 $	994 014 $

LIFE INSURANCE POLICY DONATION – FINANCIAL PROJECTIONS

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End of Year	Age	Annual Premium and Deposit	Cumulative Annualized Premiums	Tax credit for 2024* Federal	Provincial	Combined	Planned Giving Net Cost	Cumulative Net Cost	Total Death Benefit	Advantage of Donating of a Life Insurance Policy vs Making a Cash Donation
35	80	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 271 273 $	1 034 633 $
36	81	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 312 538 $	1 075 898 $
37	82	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 354 849 $	1 118 209 $
38	83	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 398 763 $	1 162 123 $
39	84	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 444 359 $	1 207 719 $
40	85	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 491 713 $	1 255 073 $
41	86	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 540 907 $	1 304 267 $
42	87	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 592 020 $	1 355 380 $
43	88	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 645 284 $	1 408 644 $
44	89	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 700 820 $	1 464 180 $
45	90	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 758 751 $	1 522 111 $
46	91	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 819 368 $	1 582 728 $
47	92	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 881 771 $	1 645 131 $
48	93	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	1 945 440 $	1 708 800 $
49	94	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 010 539 $	1 773 899 $
50	95	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 076 882 $	1 840 242 $
51	96	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 144 054 $	1 907 414 $
52	97	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 211 732 $	1 975 092 $
53	98	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 279 130 $	2 042 490 $
54	99	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 345 265 $	2 108 625 $
55	100	0 $	236 640 $	0 $	0 $	0 $	0 $	132 863 $	2 408 606 $	2 171 966 $

*Projected assumptions for 2024

About charitable tax credits for the current fiscal year

Credits for charitable donations are issued only for donations made to registered charities or other qualified donees. You can check the Canada Revenue Agency's website to see if a charity is registered:

https://apps.cra-arc.gc.ca/ebci/hacc/srch/pub/dsplyBscSrch?

A charity that is registered doesn't necessarily guarantee its credibility. The Canada Revenue Agency encourages donors to carefully research a charity before making a donation.

The information in this document applies only to charitable donations made by individuals. Donations made by corporations are taxed differently.

The tax credits for charitable donations are non-refundable. Therefore, a minimal taxable amount is required to fully benefit from the annual charitable donation tax credits on life insurance premiums paid.

During the lifetime of the donor, the total of the donations eligible for federal and provincial[1] charitable tax credits, in this case the life insurance premiums plus any other eligible donations made in the same year, cannot be greater than 75% of the donor's net income. Unused credits for charitable donations may be carried over for up to five years. You are encouraged to consult an independent professional if you need further information.

Under current tax rules, charitable donation receipts issued to individuals who are legally married or common-law partners can be combined, which allows either spouse to claim the charitable credit in their income tax return.

[1] Excluding Quebec

Other tax implications of Planned giving with charitable tax credits related to premiums paid (new life insurance policy)

This document uses the federal and provincial or territorial charitable donation tax credit rates in effect for the current year. The credit rates and tax brackets used to calculate credit amounts may change without notice and may be adjusted by federal and provincial governments for future years. Tax brackets are traditionally updated every year. Tax credit projections are only assumptions and in no way guarantee actual tax credit amounts.

This document presents data available as at 2024-09-09.

The information presented in this document should not be construed or relied upon as legal, tax, accounting or actuarial advice. Clients are encouraged to consult an independent professional to determine if the suggested donation strategy and hypotheses are appropriate for their needs.

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