

CHARITABLE GIVING THROUGH LIFE INSURANCE

Do you want to leave a Legacy of lasting benefit to the Brain Injury Association of Canada (BIAC) which is important to you life?

Using life insurance is an excellent way of ensuring continuing support for BIAC after your death. It also provides significant income tax relief during your lifetime, or on death, depending on how you choose to structure the arrangement.

If you buy a policy of life insurance on your life, and assign it to BIAC as owner and beneficiary, premiums you pay toward the policy from that point on may, with the consent of the charity, qualify as a charitable donation. The charity can issue a charitable receipt for the premiums you pay each year.

If you give an existing life insurance policy to BIAC, BIAC can give you a receipt for a charitable donation equal to the policy's cash surrender value. If the policy has an accrued policy gain, this will result in some taxable income to you in that year, so check with your insurance provider first.

BIAC may also issue you a receipt for a charitable contribution equal to the amount of the premiums you pay after the time of transfer. If you prefer, you can own the life insurance policy yourself and either name BIAC as beneficiary or make your estate the beneficiary and designate the proceeds as a bequest to the charity under your will.

If you do this, you will not receive any receipt for a charitable donation in respect of the premiums you pay. But upon your death, your estate receives a receipt from BIAC for a charitable donation equal to the total donated to BIAC.

This charitable contribution may help lower your tax liability in the year of your death. Such amounts as capital gains and RRSP proceeds are usually taxable on your final tax return, unless the taxable assets pass to your surviving spouse. The availability of a large charitable tax credit can reduce the income tax your estate may otherwise face.

One of the other advantages of this arrangement is that you can change the beneficiary designation or amend your will to benefit BIAC at any time, if your goals change.

What tax benefits are available if you choose to donate an insurance policy to a charity? Let's look at the after-tax cost of making a \$600 contribution to a charity to pay the premium on a life insurance policy. Provincial income tax rates vary across the country – the figures below assume a combined federal and provincial tax rate of 22% at the lowest tax bracket and 40% in the highest tax bracket:

Federal and Provincial tax credits on the first \$200	\$ 44
Federal and Provincial tax credits on the next \$400	\$160
Total tax credits	\$204

The net effect of the tax credit, in this example, is to lower the after tax premium cost from \$600 to \$396.

More good news! Federal and provincial governments allow charitable donation tax credit to be claimed on qualifying gifts of up to 75% of your net income in the year of the death and the preceding tax year.

The gift of the life insurance policy can allow BIAC to expand its horizon and ensures your support of its work will not end at your death.

Please feel free to contact your insurance provider or the Executive Director at BIAC executivedirector@biac-aclc.ca

This document was prepared by the Estate and Financial Planning Services Department of Sun Life Assurance Company of Canada.