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**IN THIS ISSUE**

- Charitable Giving Strategies

## Charitable Giving Strategies

Undoubtedly, most people understand and appreciate the need to give to charity. However, according to Stats Canada, only 11% of people know about the tax advantages of philanthropic giving.

Ultimately, you have the option to distribute your assets to **2 of the following 3 groups**:

- 1) Canada Customs & Revenue Agency (the government)
- 2) Your family
- 3) Your favorite charity

That's right!! With the proper planning, you are capable of eliminating the government as a beneficiary to your estate and provide the maximum to your family and charity/charities of your choice.

**The Rules**

The Canadian income tax system encourages you to make gifts to charities through the granting of tax credits. The maximum annual tax credit is 75% of net income with the excess available for carry forward for 5 future years. Donation limits for gifts in the year of death is 100% of net income with a carry back for the preceding year. As mentioned, these laws create a huge opportunity to reduce or eliminate your taxes.

**Using Life Insurance as a Planned Giving Strategy**

Life Insurance as a Planned Giving technique can be the most cost-effective way to provide funds to your family as well as your favorite charity. Using Life Insurance also provides the "biggest difference" for the charity. The best way to illustrate this powerful technique is to give you an example:

1. Mark and Joanne both 60 yrs. old, non smokers

2. Support a local charity on an ongoing basis
3. They would like to give a substantial gift to their charity
4. Also want to pass of their assets to their children
5. Marginal tax rate of 45%
6. Estate consists of an RRSP valued at \$500,000

If Mark and Joanne do nothing, at death CCRA will get app. 45% of their RRSP which is \$225,000. Their family will only receive app. \$275,000.

With a Planned Giving Approach, Mark and Joanne can potentially wipe off their final income taxes and give a substantially more gift to their children. Mark and Joanne purchase a permanent joint-last-to-die life insurance policy. They name the children beneficiaries of the insurance and name a charity the beneficiary for their RRSP.

At death, there will be a charitable tax credit of \$225,000 because the charity receives the RRSP. Therefore, the taxes owing to the government are eliminated by the tax credit. The end result is the charity receives \$500,000, your family receives \$500,000 and the government receives \$0.

	<b>Do Nothing</b>	<b>Planned Giving with Insurance</b>
<b>Estate</b>	\$500,000	\$500,000
<b>Tax credit</b>	\$0	\$225,000
<b>Taxes Owning</b>	\$225,000	\$0
<b>Estate to Children</b>	\$275,000	\$500,000
<b>Gift to Charity</b>	\$0	\$500,000

