

MAKE A DIFFERENCE THROUGH GIFT PLANNING



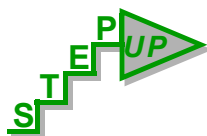
Presented by

Geraldine Broker, CFP, CLU

Special Service Ins. Agcy.

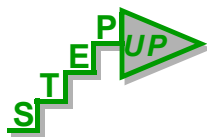


EMPIRE FINANCIAL GROUP™



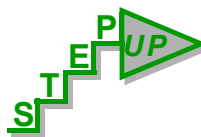
New Dimension in Estate Planning

- **Family Security**
- **Financial Planning**
- **Retirement Planning**
- **Estate Planning**
- **Gift Planning**



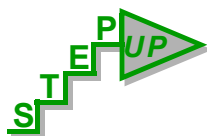
What is Gift Planning?

- **Gift Planning integrates tax planning with charitable giving so that donors can increase their gifts through tax savings and tax-effective financial instruments such as life insurance and annuities**



Growing Interest in Gift Planning

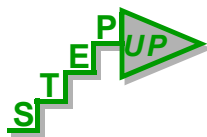
- Government cutbacks increases reliance on private donations
- Donator demographics present huge opportunities for charities and institutions
- \$1 Trillion transfer of wealth in next 20 years
- Tax changes increase incentives for Gift Planning



TAX SUPPORT

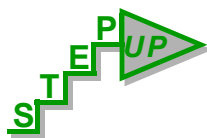
two tier credit system

- 1st \$200 generates federal tax credit of 16% and ~21-25% combined
- balance generates federal tax credit of 29% and ~40-47% combined
- for top taxpayers credits ~ deductions on this balance
- if below credits > deductions



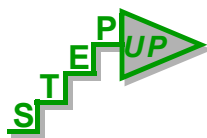
TAX SUPPORT

- donations in a given taxation year eligible for tax relief limited to 75% of net income
- any part of this or excess receipts can be carried forward 5 years
- limit in year of death is 100% of net income with one year carryback
- spouses can combine receipts with higher income earner claiming credits
- corporations claim donations as deductions



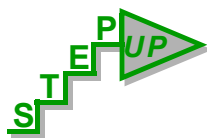
Growing Need

- 95% of Canada's 75,000 charities targeting private sector's discretionary income
- High level of competition for donations
- Few people can afford to make substantial contributions out of current income
- Fund Raising is increasingly expensive and time consuming

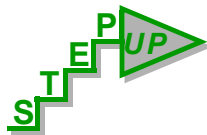
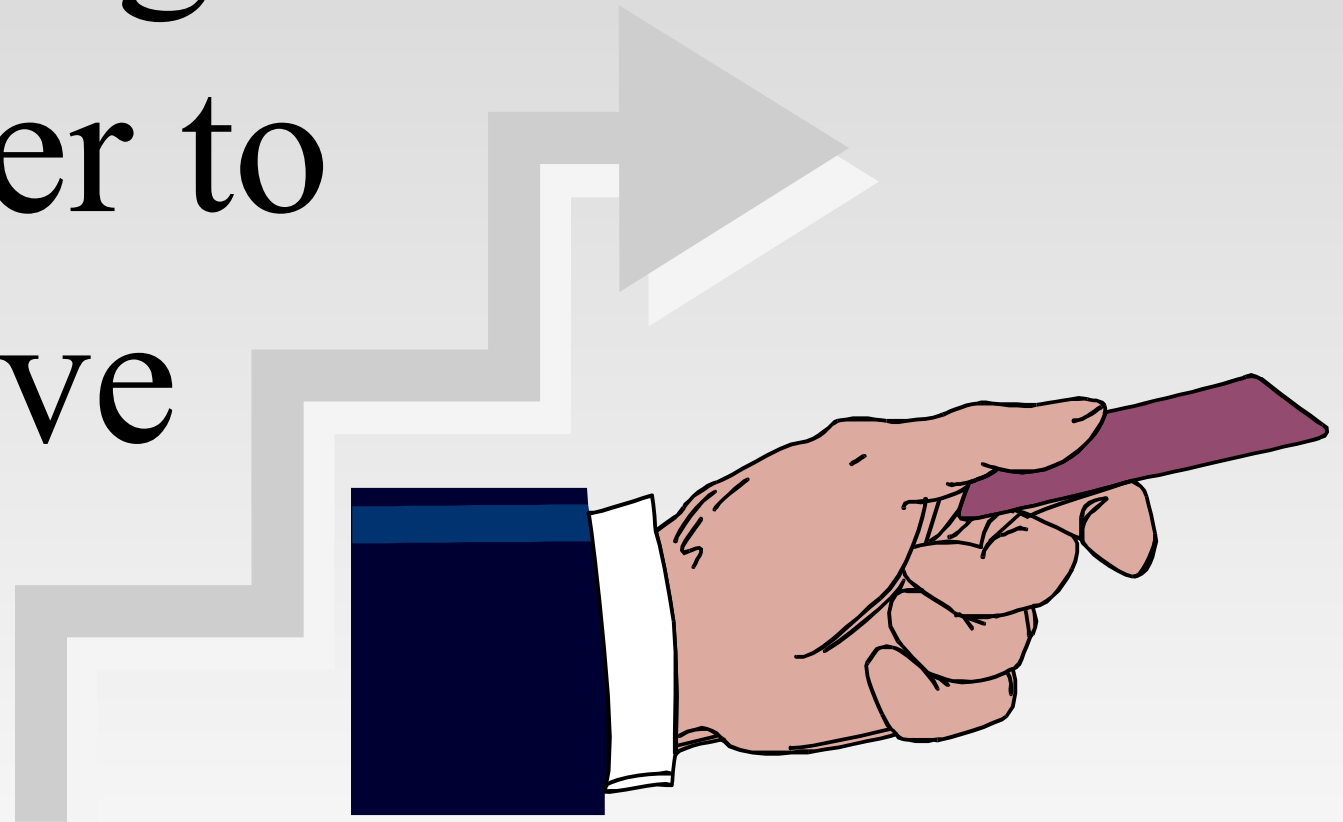


Fact Finding

- **Philanthropy should be part of every client's complete financial and estate plan, from both a tax planning perspective and the expression of the client's values through legacies**

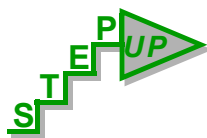


Making it Easier to Give



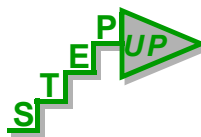
New subsections to ITA [248(30) - (33)]

- determination of eligible amount of the gift,
- calculation of any advantage conferred on donor,
- whether there was a true intention to give
- and the cost of property acquired by the donor in the course of making the gift.



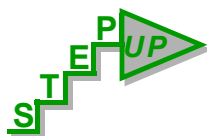
Gifting Options

- There are two basic ways to give:
 - Immediate Gifts
 - Deferred Gifts (Planned Giving)
- Charities must distribute 80% of previous year's gifts unless donors require gifts to be held in trust for at least 10 years



Charitable Gift Annuities post Dec. 20/02

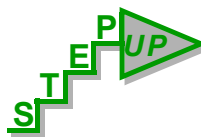
- Eg. Irrevocable gift of cash by donor to charity
 - 60 - 75% of gift used to buy annuity
 - Charity keeps remaining 25 - 40%
- Donor gets receipt for difference kept by charity
- Donor receives annuity income on tax-preferred basis



Charitable Gift Annuities

- ◆ Male 69
- ◆ \$100,000 invested at 5%

	GICs	Life Only Annuity	10 Years & Life Annuity
Annual Income	5,000		
Tax Payable @ 43.7% (BC)	2,185		
Spendable Income	2,815		
Donation to Charity	Nil		



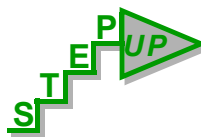
Charitable Gift Annuities

post Dec.20/02

- ◆ Male 69
- ◆ \$100,000 invested at 5%

	GICs	Life Only Annuity	10 Years & Life Annuity
Annual Income	5,000	5,000	5,000
Tax Payable @ 40%	2,000	775	643
Spendable Income	3,000	4,225	4,357
Donation to Charity	Nil	100,000	100,000
Cost of Annuity		48,087	53,275
Remaining Funds for Charity		51,913	46,725
Tax Receipt for Donor		51,913	46,725

*literal interpretation



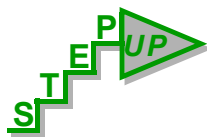
Deferred Gifts

- Planned Giving Programs will, over time, permit the charity to provide many services without being totally dependent on current fund raising efforts
 - Gifts of Residual Interest
(Usage Retained)
 - Remainder Trusts
(Income Retained)



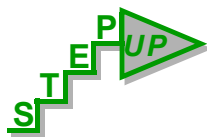
Leveraging Gifts With Life Insurance

- **Insured Gift Plans enable people of limited means to make significant financial contributions to their favourite charities, institutions or foundations**

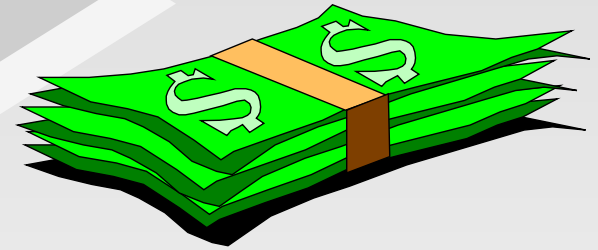


Advantages Of Insured Programs

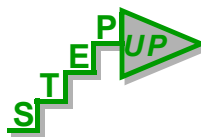
- Few people can afford to make substantial contributions out of their current income
- Donation of small insurance premiums significantly increases the size of the ultimate bequest
- Guarantees bequest will not be contested
- Maximizes tax assistance



Charitable Giving



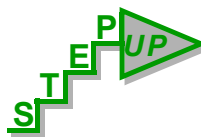
A Program Designed For Those Who Wish to
Benefit the Charity of Their Choice For
Generations to Come !



Male Non-Smoker Age: 40

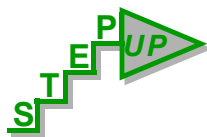
Total Protection: \$25,000	Deposit	Rate
Investment Account:	149.60	
Total Annual Deposit:	<u>450.40</u>	7.00%
	600.00	

Plan Year	Age (EOY)	Annual Deposit	Investment Account Value	Total Death Benefit
1	41	600	467	25,467
2	42	600	967	25,967
3	43	600	1,502	26,502
4	44	600	2,075	27,075
5	45	0	2,072	27,072
10	50	0	2,054	27,054
20	60	0	1,993	26,993
30	70	0	1,872	26,872
40	80	0	1,635	26,635
50	90	0	1,169	26,169
60	100	0	252	25,252



Case Study Example

Couple with some extra cash
interested in doing something for charity
doesn't want to disadvantage
grandchildren



Donation Refund Step 1

Joint Second Death - M70NS & F70NS

Deposit

Rate

Insurance Coverage: \$100,000 (payable to charity)

1,965

Investment Account:

28,035

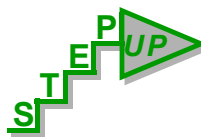
5.0%

Total Donation:

\$30,000

Plan Year	Age (EOY)	Total Deposit	Surrender Value	Total Death Benefit
1	71	30,000	29,393	129,393
2	72	0	28,737	132,349
3	73	0	28,025	135,187
4	74	0	27,248	137,864
5	75	0	26,465	140,402
10	80	0	24,558	124,558
15	85	0	22,000	122,000
20	90	0	18,534	118,534
25	95	0	13,836	113,836
30	100	0	7,470	107,470

*Paid up @ age100



Donation Refund Step 2

Capital Replacement Required: \$30,000

Joint Second Death - M70NS & F70NS

Initial Protection: \$20,000 (payable to grandchildren)

Investment Account:

Tax Credits of \$14,280

Deposit

Rate

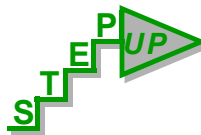
545

13,737

\$14,280

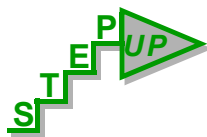
5.0%

Plan Year	Age (EOY)	Total Deposit	Surrender Value	Total Death Benefit
1	71	14,280	14,416	34,416
2	72	0	14,555	35,277
3	73	0	14,697	36,129
4	74	0	14,839	36,962
5	75	0	14,982	37,769
10	80	0	16,325	38,612
15	85	0	18,910	38,910
20	90	0	22,496	42,496
25	95	0	27,354	47,354
30	100	0	33,939	53,939



Another Case Study Example

Retired individual with some cash in bank generating needed extra income but no desire to use capital interested in doing something for charity through residual interest



Charitable Insured Annuities

- ◆ Male Age 69 Non Smoker
- ◆ \$100,000 invested at 5%

	GICs		
Annual Income	5,000		
Tax Exempt Income	Nil		
Potential Reduction in OAS Clawback	Nil		
Donation Pays Life Premium	Nil		
Tax Payable @ 40%	2,000		
Spendable Income	3,000		
Potential Bequest to Charity	100,000		



Charitable Insured Annuities

- ◆ Male Age 69 Non Smoker
- ◆ \$100,000 invested at 5%

	GICs	Annuity	
Annual Income	5,000	11,500	
Tax Exempt Income	Nil	7,246	
Potential Reduction in OAS Clawback	Nil	750	
Donation Pays Life Premium	Nil	4,254	
Tax Payable @ 40%	2,000	Nil	
Spendable Income	3,000	7,246	
Potential Bequest to Charity	100,000	105,000	



Charitable Insured Annuities

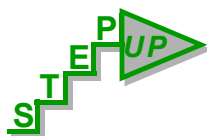
- ◆ Male Age 69 Non Smoker
- ◆ \$100,000 invested at 5%

	GICs	Annuity	Annuity
Annual Income	5,000	11,500	11,500
Tax Exempt Income	Nil	7,246	7,246
Potential Reduction in OAS Clawback	Nil	750	750
Donation Pays Life Premium	Nil	4,254	5,004
Tax Payable @ 40%	2,000	Nil	Nil
Spendable Income	3,000	7,996	7,246
Potential Bequest to Charity	100,000	105,000	125,000

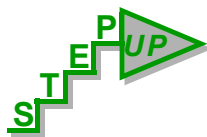


Advantages of Specific Universal Life policy

- Empire's entire range of investment options
- No transfer or surrender charges and virtually interest free loans
- Donors select any payment period from single deposit to life
- Tax-Credits can pay for insurance to recreate initial amount pledged to charity for other beneficiaries

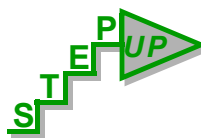


Case Study # 1



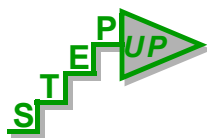
Diverting Tax Dollars To Charity

- Current Situation:
 - RRIF Value at death \$250,000
 - No surviving spouse
 - 40% Marginal Tax Rate
- Tax Man receives \$100,000
- Children receive \$150,000

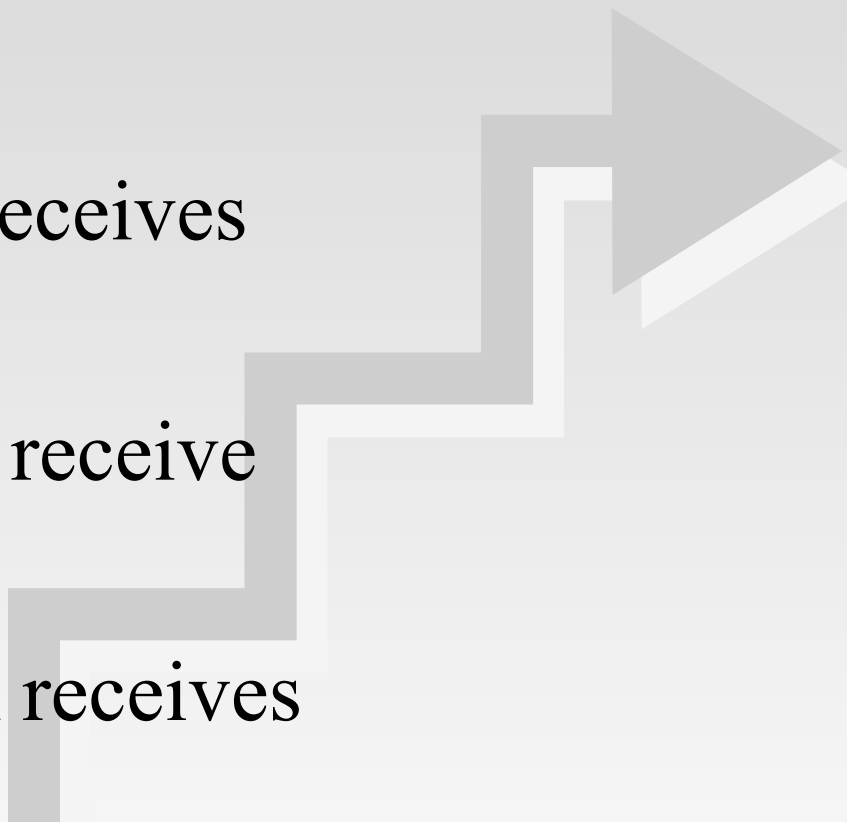


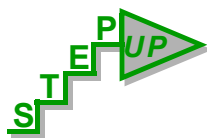
Diverting Tax Dollars To Charity

- Client buys \$250,000 Life Insurance policy
- Client bequeaths \$250,000 RRIF to charity
- Charity issues \$250,000 Receipt at death
- Tax Receipt generates \$100,000 Tax Credit
- Tax Credit eliminates tax payable on RRIF



Diverting Tax Dollars To Charity

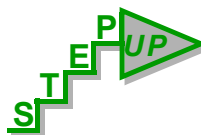
- Charity receives \$250,000
 - Children receive \$250,000
 - Tax Man receives \$ 0
- 



Current Funding With Insurance

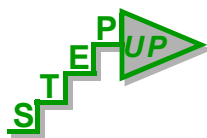
Life Insurance can provide current income for charity
 200 policies @ \$50,000 with an average issue age of 50 results in the following:

Year	# of Deaths in Year	Total # of Deaths	Death Claims in Year	Total Death Claims
1	0.57	0.57	28,300	28,300
2	0.66	1.22	32,807	61,107
3	0.77	1.89	26,265	99,372
4	0.99	2.89	44,949	144,320
5	1.05	3.94	52,726	197,048
10	1.95	11.83	97,724	591,532
15	3.42	25.53	170,940	1,281,706
20	5.2	49.34	263,933	2,468,807
25	6.59	79.92	328,670	3,995,995
30	7.11	114.58	355,354	5,726,962
35	6.8	149.72	340,098	7,485,970
40	4.8	173.05	233,067	8,502,628
45	3	193.36	104,501	9,667,879
50	1.63	200	81,536	10,000,000



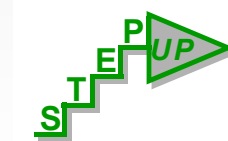
Current Funding With Insurance

- assuming non smoker rates and level (T100) protection
- 200 policies @ \$50,000 with an average issue age of 50 results in the following:
 - ~\$735. = ~ 1.5% of tax free estate benefits
 - ~\$735. each x 200 = \$147,000 total initial annual premium



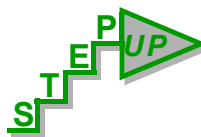
Owner	Beneficiary	Tax Benefit during Lifetime	Tax Benefit at Death
Donor/ taxpayer	Estate	None	Death Benefit is a donation
Charity	Charity	Annual premium is a donation	None
Donor/ taxpayer	Charity	None	Death Benefit is a donation

*Canadian Taxation of Life Insurance



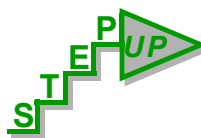
For donors owning existing life insurance with cash values:

- transferring ownership to charity (with charity as beneficiary) will generate receipt for the cash surrender value, plus any accumulated dividends and interest, minus any loan outstanding
- if donor continues to pay premiums, each payment will be an additional donation
- ***note if value exceeds adjusted cost base of policy, excess treated as income, offsetting part of value of credit.***



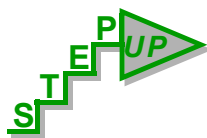
Dealing with flexibility in UL

- **Simplify** everyone's job and understanding by dealing **with fewer variables**
 - liquidity, i.e. quick easy access to cash
 - no surrender or transfer charges
 - virtually interest free loans
 - guaranteed cost of insurance
 - guaranteed expenses
 - plain language explanations/support documentation

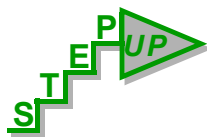


Making A Difference

- Every one of us wants to be remembered for having made a difference
- Unfortunately, very few of us have the means, or the opportunity, to make a significant contribution to society that will be remembered by those outside of our own families. However.....



We're not here to tell you how much we
know...
or what you should do...
but rather...
to find out what's important to you, what
you want to do and how we might help
you get there





Gift Planning
Empowers Us
To Make A Difference!

