

# GIFTS OF LIFE INSURANCE



Life insurance can be an excellent giving tool for a donor who wishes to make a substantial gift to Centre Grey Health Services Foundation. Moderate, tax deductible deposits are leveraged over time for a large gift at the time of death. New or existing life insurance policies may be donated. Usually, some variety of permanent life insurance is used to fund gifts of this type.

## FEATURES OF CHARITABLE LIFE INSURANCE

- Simple to set up and manage
- Irrevocable gift if the Foundation is owner and beneficiary
- Tax credits for future premiums paid and Fair Market Value - OR - for donor's Estate
- Gift not subject to probate fees

## ENHANCEMENTS UNDER CANADA'S 2000 FEDERAL BUDGET

Under the year 2000 Federal Budget, there were enhancements to the tax treatment of gifts made using life insurance, making it a more effective gifting tool.

Effective in the year 2000, donors may name the Foundation as beneficiary of a life policy and have their estate receive tax credits for the gift at death. They might instead, name the Foundation as both owner and beneficiary and receive receipts for premiums paid and/or fair market value for immediate tax benefit. See the reverse of this sheet for two detailed examples.

## OPTION 1: RECEIVE AN IMMEDIATE/REGULAR RECEIPT

When the Foundation is named as both the owner and beneficiary of a new or existing life insurance policy, an irrevocable gift is made – resulting in charitable tax receipts for any future premiums paid and/or for the fair market value of an existing policy for the donor. The Foundation receives the policy proceeds upon the death of the donor. This strategy might be used if the donor can benefit from annual charitable receipts.

### EXAMPLE 1:

*Mr. Blake wishes to leave all his assets to his children but still wants his support of the Foundation to continue after his death. He purchases a new \$100,000 life insurance policy and names the Foundation as both the owner and beneficiary. He receives charitable receipts for all the premiums he will pay. Upon Mr. Blake's death, the Foundation receives the \$100,000.*



## OPTION 2: BENEFIT YOUR ESTATE

When a donor names the Foundation as beneficiary of a new or existing policy but retains ownership of it, the gift is revocable – so no immediate tax receipts are issued. Instead, on the death of the donor, the Foundation receives the proceeds from the policy and issues a receipt to the donor's estate. The resulting tax credits offset taxable income in the year of death. Because the gift passes outside of the estate, additional savings in probate fees are enjoyed as well. A life insurance gift might be structured in this manner if the donor faces high tax liability in their estate, due to RRIF/RRSP or capital gains income.

### EXAMPLE 2:

*Mrs. Clark purchases a new \$100,000 life insurance policy and names the Foundation as the beneficiary of the policy, but retains ownership of it. Mrs. Clark has modest annual income but will incur a large amount of capital gains income from several investments when she dies. Upon Mrs. Clark's death, the Foundation receives the \$100,000 to purchase high priority medical equipment and issues a tax receipt to be used by the estate to offset income in the year of death.*

## ABOUT CENTRE GREY HEALTH SERVICES FOUNDATION

Centre Grey Health Services Foundation raises funds to support health care in our community. Our priority is the purchase of essential medical equipment at Grey Bruce Health Services: Markdale Hospital.

The Foundation is governed by a volunteer Board of Directors drawn Grey Highlands, Chatsworth, Southgate and West Grey. There is a constant need for new and updated medical equipment at our hospital. In most cases, the Province doesn't provide funding for such equipment. Our mission is to make sure that residents and visitors to Centre Grey will continue to have access to the best medical technology.

### PLEASE CONTACT:

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**CENTRE GREY  
HEALTH SERVICES  
FOUNDATION**

Charitable Registration #: BN89063 4025 RR0001

*This information provides a brief overview on planning a gift to Centre Grey Health Services Foundation. It is general in nature and subject to change according to individual circumstances. You should always consult your own professional advisors for detailed information tailored to your own circumstances and to confirm applicable tax benefits.*