



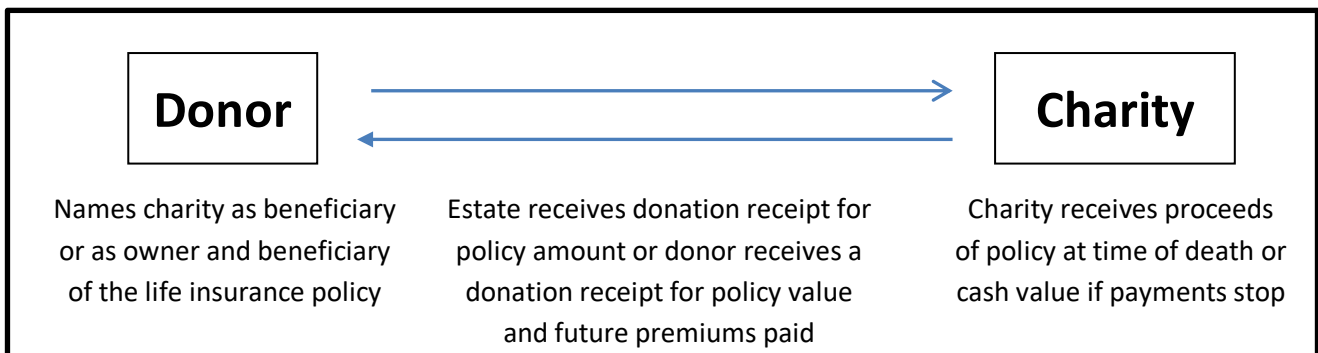
# Planned Giving Bulletin

## Gifts of Life Insurance

Life insurance is one of the most effective means to maximize giving and can be an excellent planned giving tool for a donor who wishes to make a substantial gift to ministry. Depending on the policy chosen, moderate premiums are spread over time with the resulting gift being quite significant at time of death. Both existing and new life insurance policies can be donated. While there are many different types of life insurance, the principle of giving remains the same; a relatively small present gift will ultimately provide a much larger gift in the future.

### Why a Gift of Life Insurance

- Existing insurance policies can easily be changed to make a charity the beneficiary
- The donor can leverage the premium cost to provide a significant future charitable gift
- The purpose for initially purchasing the insurance may no longer exist
- Either the annual premiums or the insurance amount qualify for a charitable receipt
- The value of the gift will not be subject to probate fees on the estate



### Charitable Tax Receipt Now or Later

An insurance policy can provide a “charitable tax receipt now” or “charitable tax receipt later” option. Donors who name a charity as the *beneficiary of their policy* will have their estate receive a tax credit for the value of the policy at their death. Donors who name a charity as the *owner and the beneficiary of the policy* receive an immediate tax receipt for the Fair Market Value of the policy, plus tax receipts for future premiums paid.

# Gifts of Life Insurance ...continued

## Charitable Tax Receipt Now

When a donor transfers ownership of an insurance policy to a charity, and names the charity as the beneficiary, the donor receives an immediate charitable tax receipt for the Fair Market Value of the policy. Any future premiums paid by the donor will also qualify as a charitable gift. When the donor dies, the charity receives the proceeds of the policy. Since the charity is the owner of the policy, and the donor has already received charitable tax receipts for the FMV and additional premiums paid, the estate does not get a tax receipt. This type of gift is irrevocable (it can't be changed) once the charity is named the owner. For larger policies where the donor may not want only one charity to receive the entire amount, the donor may elect to name Lutheran Foundation Canada as the beneficiary, and use a Gift Allocation Agreement outlining its disbursement to multiple charities.

### Example

*Fred Kind has an existing policy where the proceeds are no longer required by his family. He is passionate about ministry and makes Lutheran Foundation Canada the owner and beneficiary of the policy. The policy is worth \$100,000 and the Fair Market Value of the policy is \$18,000. Premiums are \$1,500 per year. Fred immediately receives a donation receipt of \$18,000 which will generate a tax credit of (45% \* \$18,000) \$8,100. Plus, he will continue to receive annual donation receipts of \$1,500. When Fred dies, the Foundation will receive the \$100,000 and distribute it as per the Gift Allocation Agreement. Fred's estate will not receive a donation receipt.*

## Charitable Tax Receipt Later

Sometimes a donor may only name the charity as the beneficiary (but not the owner) of the policy. This type of gift is revocable. It doesn't provide any immediate tax advantage to the donor. Instead, the estate receives the charitable tax receipt, which is used to offset the deceased donor's taxable income in the year of their death. Additionally, no probate fees are realized as the gift passes outside of the estate. This option may be preferable because the donor understands they face a high tax liability in their estate due to RRIFs/RRSPs or capital gains.

### Example

*Fred Kind has an existing policy that he names Lutheran Foundation Canada as the sole beneficiary, instructing the proceeds go to set up an endowment. The policy is worth \$100,000. Fred continues to pay the premiums although he doesn't receive any tax advantages. Upon his death, Lutheran Foundation Canada receives a charitable gift of \$100,000 and Fred's estate receives a donation receipt of \$100,000. Assuming a 45% tax bracket, the estate will get a tax credit of \$45,000 for this gift.*