NOTES TO GO ALONG WITH POWER POINT PRESENTATION: PHILANTHROPIC SOLUTIONS USING INSURANCE & ANNUITIES
PRESENTED TO THE LAND TRUST ALLIANCE CONFERENCE
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Slides 1 through 9 are self explanatory

Slide 10 & 11 : additional comments

Gifting the RRIF – A RRIF is a Registered Retirement Income Fund. Opposite to the RRSP, money is paid out instead of saved within these investments. These payouts must begin in the year the taxpayer is 70 years old. What happens for some donors is there accumulated RRSP's are large enough that drawing more than the minimum 5% or so causes tax problems given that they may not require a lot of income from these RRIF's. This leaves a large asset that's 100% taxable upon the death of the 2nd spouse. For example a $100,000 RRIF at death triggers a $43,700 tax bill. By gifting the RRIF to charity, the charitable tax receipt offsets taxes due at death.
If the client wishes to keep the capital intact as an inheritance, they could also purchase a life insurance policy that would be paid out tax free upon their death, to replace the RRIF capital donated to charity. This manoeuvre has the effect of leaving CRA out of the picture all together as the win-win-win scenario is for the donor's estate, donor's family, and the charity. Nothing is left for CRA.

Slide 12 & 13: Additional comments

First its helpful to explain what an annuity is. It's an investment vehicle purchased through an insurance company that takes a lump sum of your capital in exchange for a guaranteed stream of income. This income stream is determined by applying a formula to the amount of capital invested that includes the client's age, gender, mortality rate, and the current interest rate. In most if not all cases the resulting income is higher than what a donor could achieve by investing in GIC's. This is due to specific tax rules that are applied to Annuity income. The down side to annuities is that the capital is basically gone. There are features however that can be added to the

formula that make sure the balance of any unused capital gets paid out to the beneficiaries should the donor die too soon to get all their capital back themselves. These investments on their own are becoming more and more popular with the aging population who have GIC's maturing at record low interest rates and are looking for alternatives.
By including a charity in the mix, the annuity now becomes a Gift Annuity. Here a portion of the lump sum of capital is gifted to the charity right away with the remaining capital invested in an annuity to generate the income stream. Due again to the tax rules applied to annuities, the resulting income, even with a chunk going to charity, is still often better than straight GIC's. The neat thing about these is the older the donor the better the income and tax benefits. And there is no need for the donor to be insurable. So, given the trend of retired people being one group giving more to charity, this option may be a good one.

Slide #14 & 15: Additional comments

Once again, if the donor wants to make sure the total amount of capital used in the gift annuity strategy is replaced upon their death, they can opt to purchase an insurance policy (they need to be insurable for this) to pay a tax free sum at death to the beneficiaries. There's no need to apply a guarantee to the annuity in this case, as the full amount will be replaced at death. This has the effect of increasing the amount of income generated to handle the premium payments on the life policy, and still produce more net income than a GIC.
It's worth getting the numbers calculated by an insurance advisor, especially for those older donors, who are looking to give but need to maintain a cash flow. To offer them a strategy that actually increases their income without increasing their risk would be well received.

Slides #16 & 17: Additional comments

The same strategy also works for couples. Again the older they are the better. It is important to note that there needs to be some discussion around when the gift is intended. Leaving a gift in the will means some planning should be looked at to make sure the tax benefits are utilized most effectively. Depending on where the assets are held and what exactly the donors are planning to gift, there may be opportunities to help them and/or their estate get a bigger bang for their buck…and possibly you too!

Slide #19: Additional comments

Assuming your donor has taxable income and is receiving tax savings as a result of an annual gift, they may be interested in leveraging those tax saving dollars into a life insurance policy in order to leave a much larger legacy upon their death. This may work best with donors age 45-65. However, if they are insurable anyone up to age 85 can still acquire insurance. The interesting point to note here is that the amount of the tax savings (refund) resulting from the gift is what's utilized to acquire whatever amount of insurance it can given the donor's age, gender and so on. Plus, they have a choice of applying the tax receipt generated from the annual premiums to their tax return every year, or their estate using the tax receipt issued when the insurance is paid out.

Slide #20: Additional comments

Understanding how the basics of some of these strategies work can allow you to find those donors with the right assets and desires to make significant "planned gifts". Showing them how and making sure it fits with the rest of their financial planning can be up to their current advisors, or someone you bring in. What's important is that all the players work together as a team. This not only helps the donor/client often achieve better results, but the charity or non-profit can reap bigger benefits as well.