Ripple Effect

Growing Your Business with Insurance & Philanthropy

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Bequest Insurance

The information presented is generalized and intended for educational purposes only.

Ripple Effect

Growing Your Business with Insurance & Philanthropy

Insurance multiplies generosity

Bob, 71

and Anne, 59

Philanthropic goals

Make generous donation to their charity

Purpose:
hire staff to later replace Bob

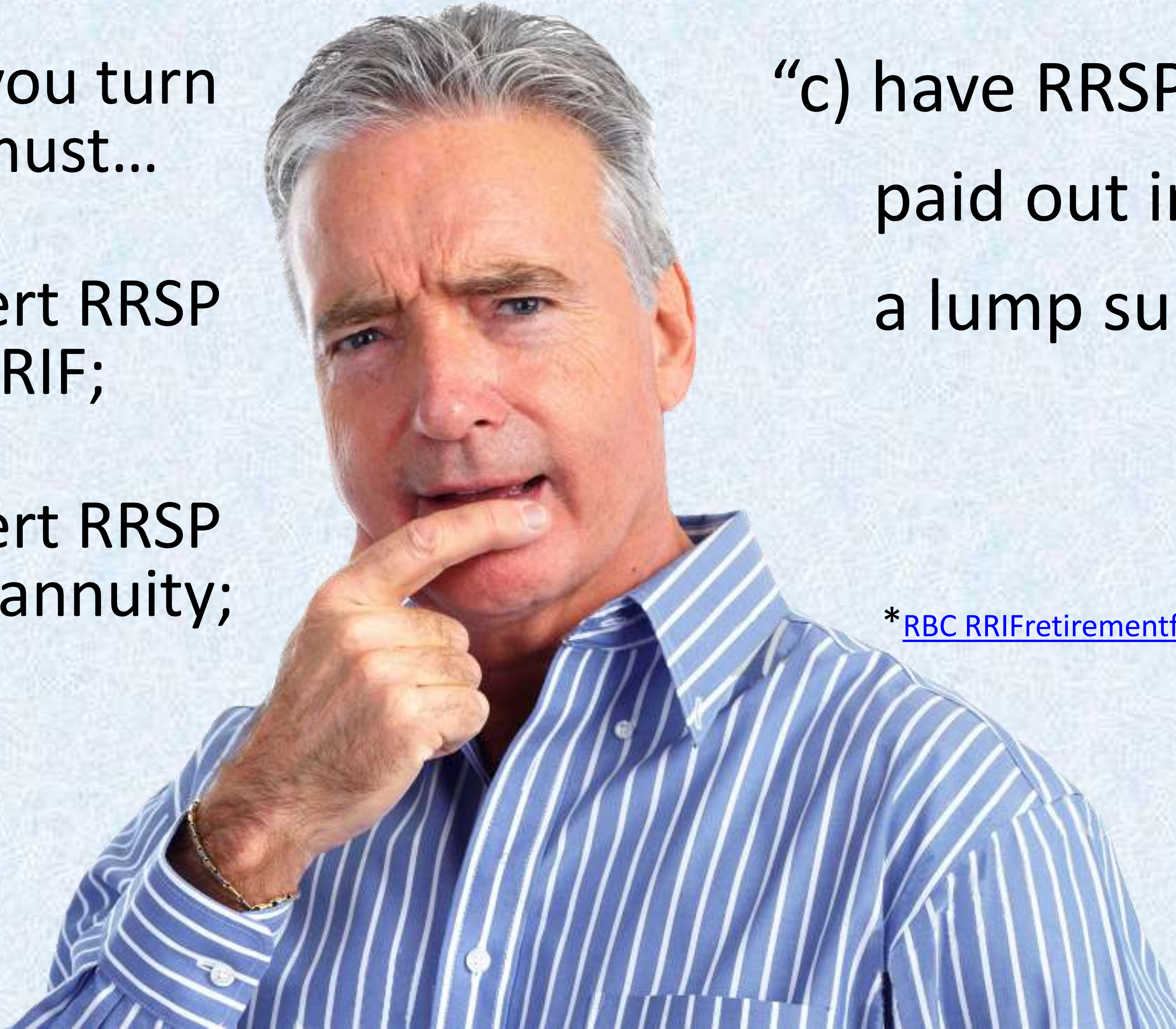
Bob considers donating $142K RRSP

"Before you turn 72, you must…

a) Convert RRSP to a RRIF;

b) Convert RRSP to an annuity;

OR…

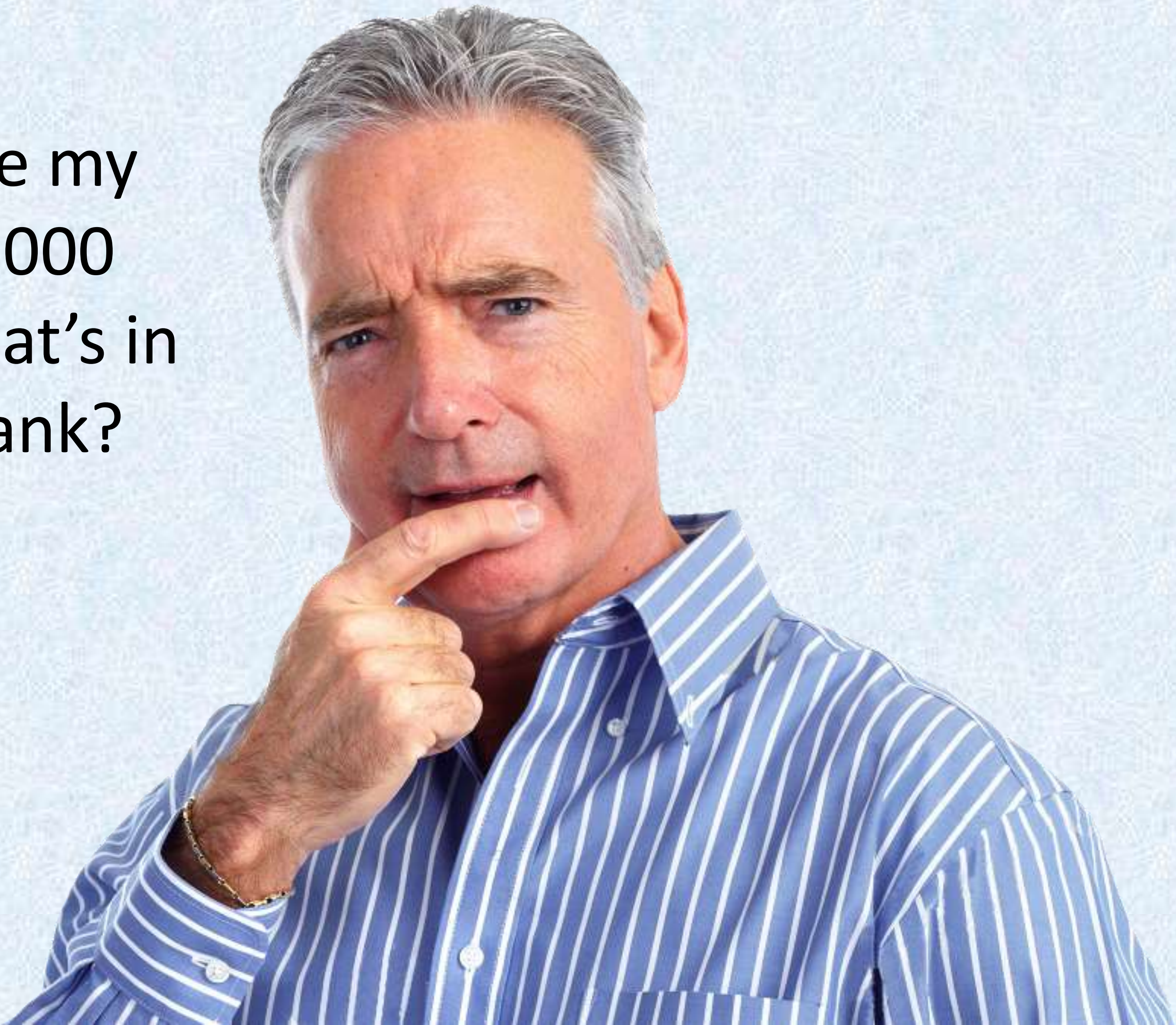


"c) have RRSP paid out in a lump sum."*

*RBC RRIFretirementfactsheet. pdf

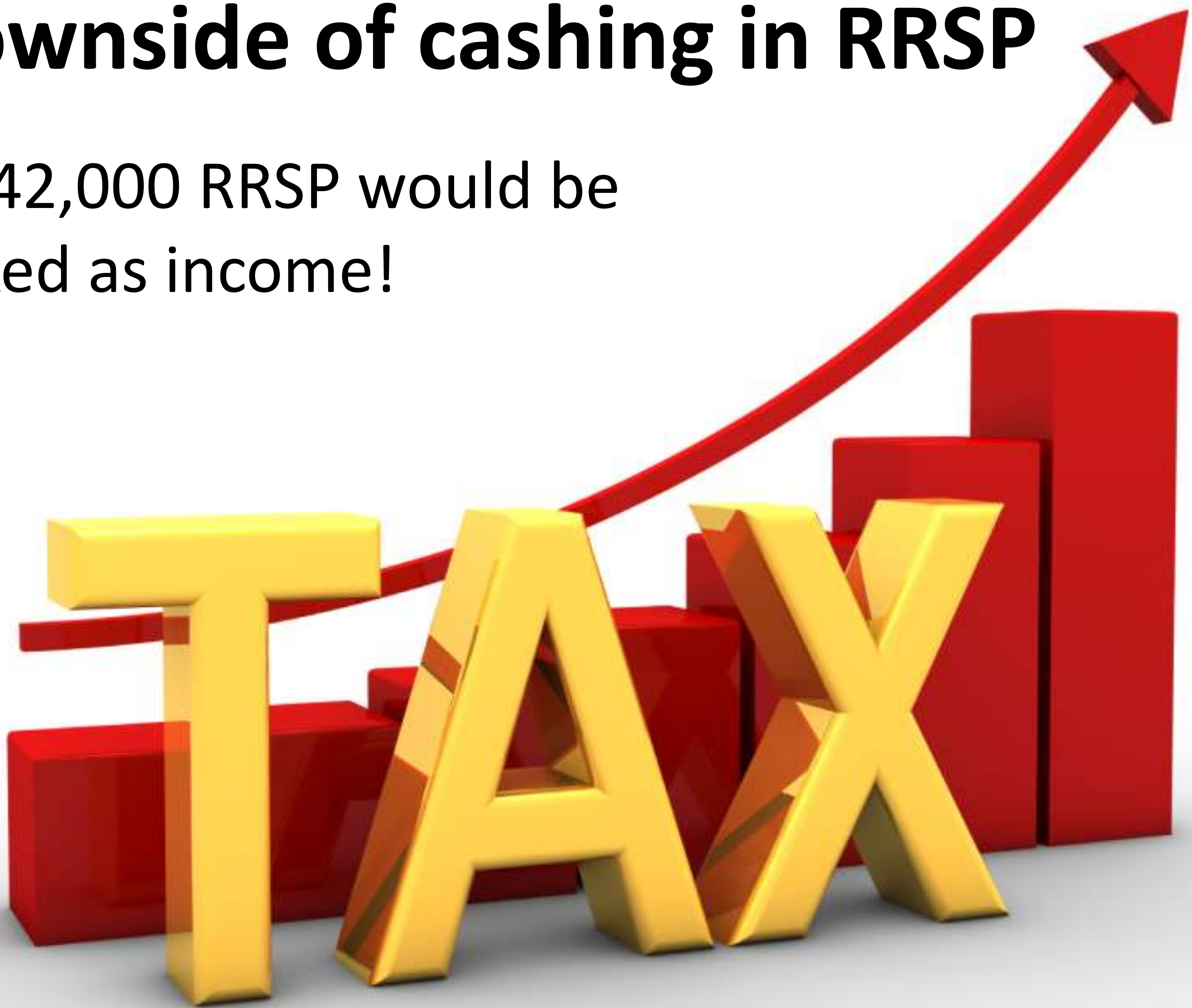
Best way to give?

Donate my
$142,000
RRSP that's in
the bank?

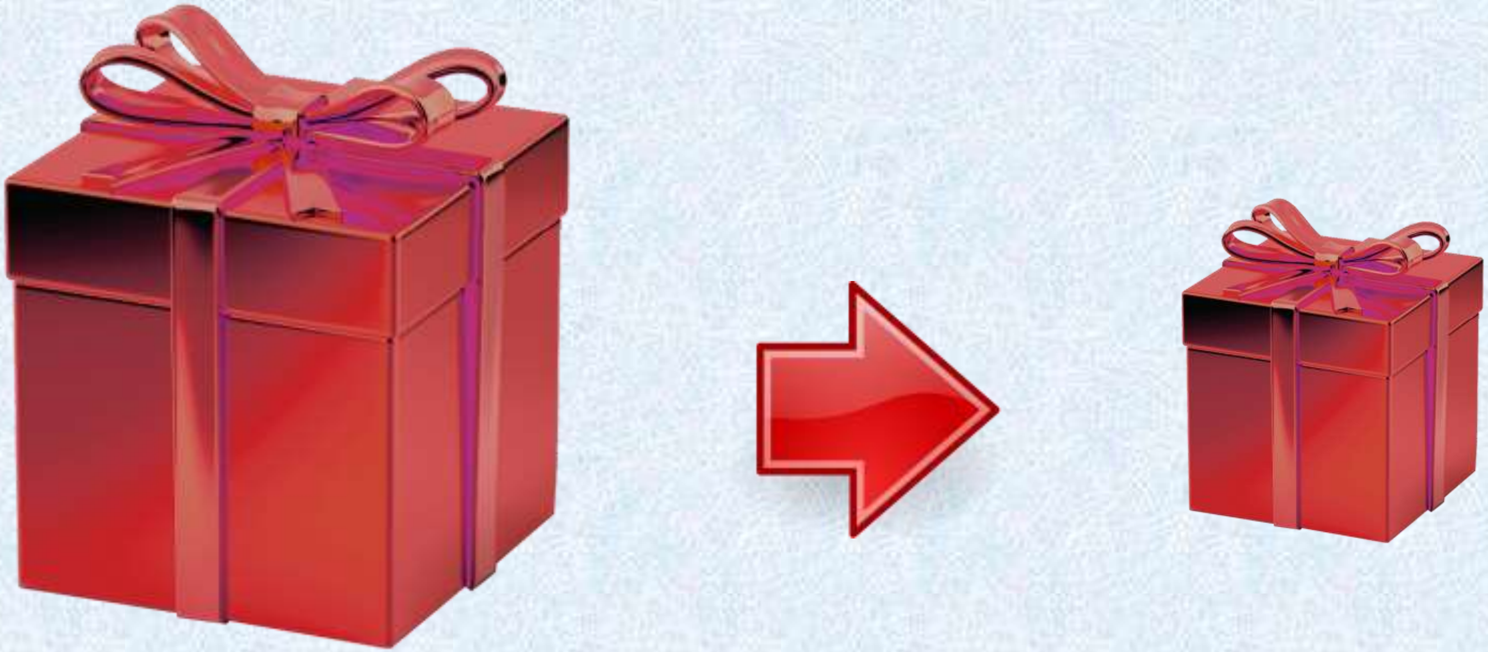


Downside of cashing in RRSP

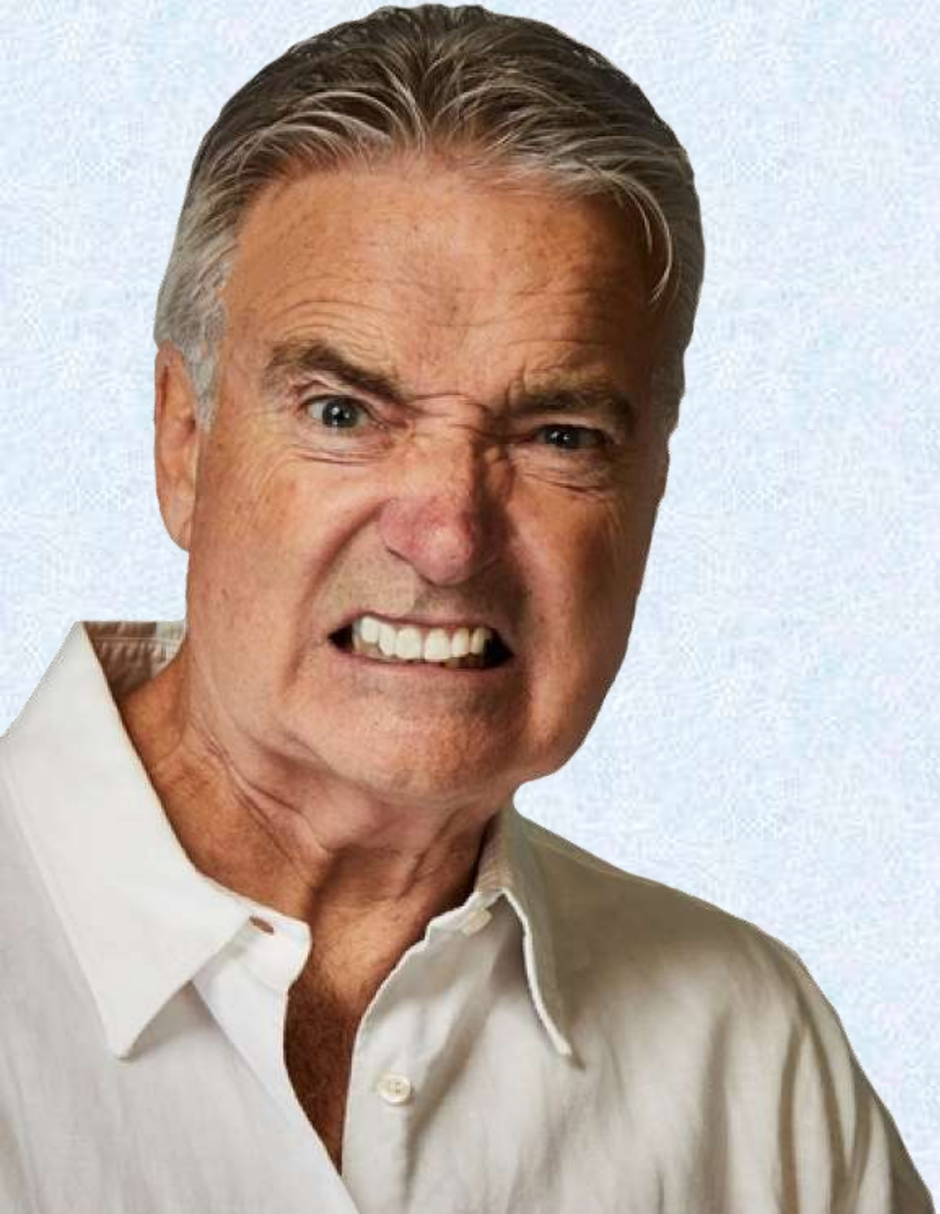
$142,000 RRSP would be taxed as income!



After tax, charity would get a lot less



Income spike wipes out Bob's $520/month Old Age Security payments



Ideal solution:
Legacy Gift, using insurance

1. Life Insurance gift to his charity

+

2. Annuity to pay insurance premiums

End result

Gift of Insurance:

Guaranteed minimum
$179,000 gift

VS.

Cashing out RRSP:

Donation is < $85,000

Other benefits

1. Charitable tax receipt on premiums offset tax on annuity income.

2. Frank's annual income increases a bit.

Growing Your Business with Insurance & Philanthropy


Larger gifts
Bigger impacts

What is the most $

you can give

to charity

in 1 year?

How Immediate Gifts of Life Insurance are receipted

Charity named Owner and Beneficiary

Donor receives

- Immediate tax receipt for policy's Fair Market Value
- Annual tax receipts for ongoing premium payments

How much of your annual income can be offset by charitable tax credits?

How Legacy gifts of Life Insurance are receipted

Charity is beneficiary of an insurance gift (is not owner of the policy)

Donor’s Estate receives

- Tax receipt to donor’s estate for **full value** of death benefit

Are financial advisors discussing philanthropy with clients?

25% of all advisors discuss philanthropy!

- Fear decreased assets under management
- "Too personal"
- 10% of clients initiate philanthropic discussion

2010 – Mackenzie Financial Advisor Study

Better with HNW Advisors, but…

- 91% of HNW advisors discuss philanthropy with clients

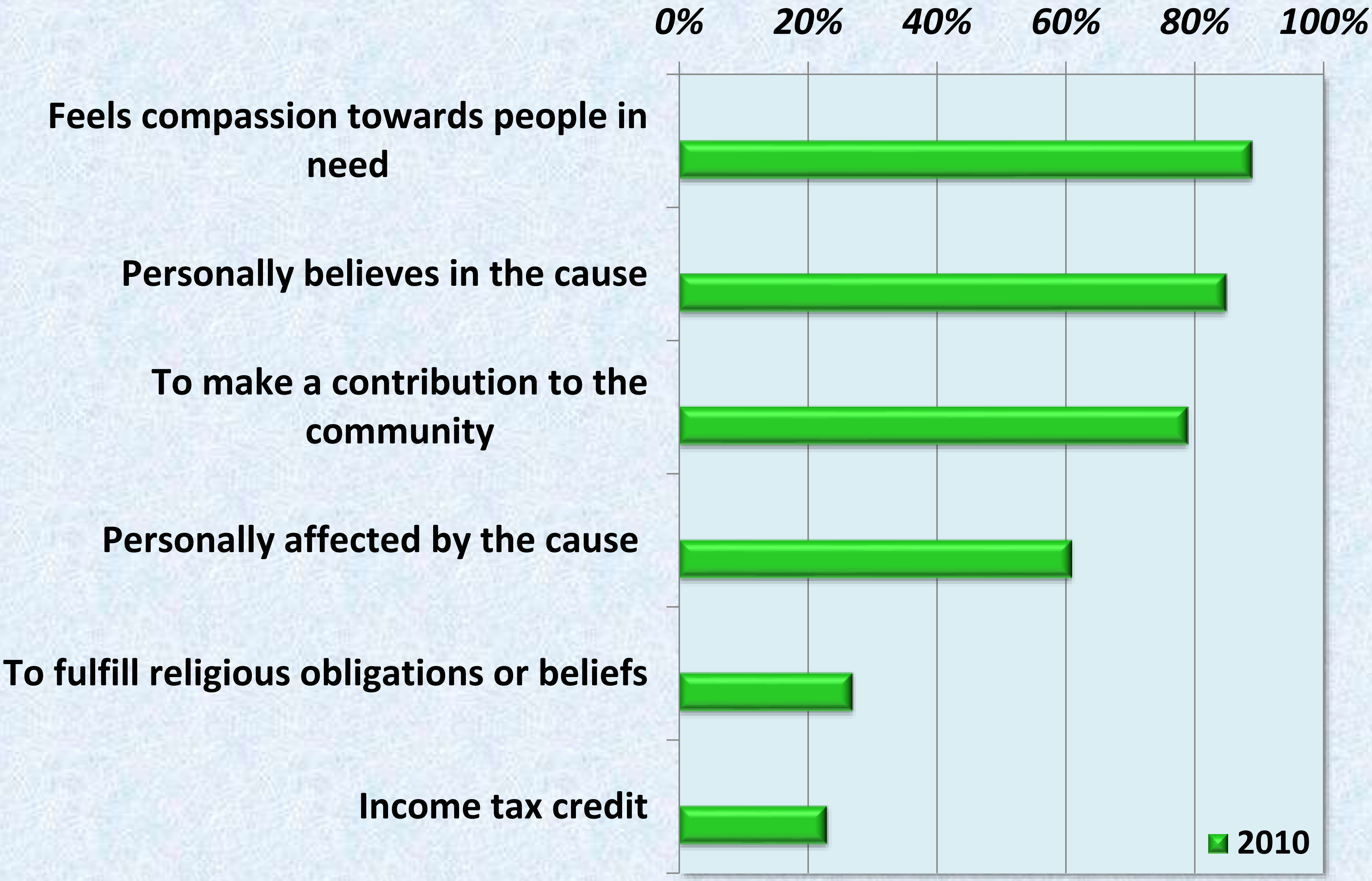
BUT…

- Only 13% of clients find these conversations meaningful

2014 Ipsos Canada. In partnership with BMO Wealth, Canadian Association of Gift Planners (CAGP) , GIV3 Foundation and Philanthropic Foundations of Canada.

Growing Your Business with the Benefits of Insurance & Philanthropy

Why do people give, donors aged 15 and over



Source : Statistics Canada, Canada Survey of Volunteering Giving and Participating 2007 and 2010

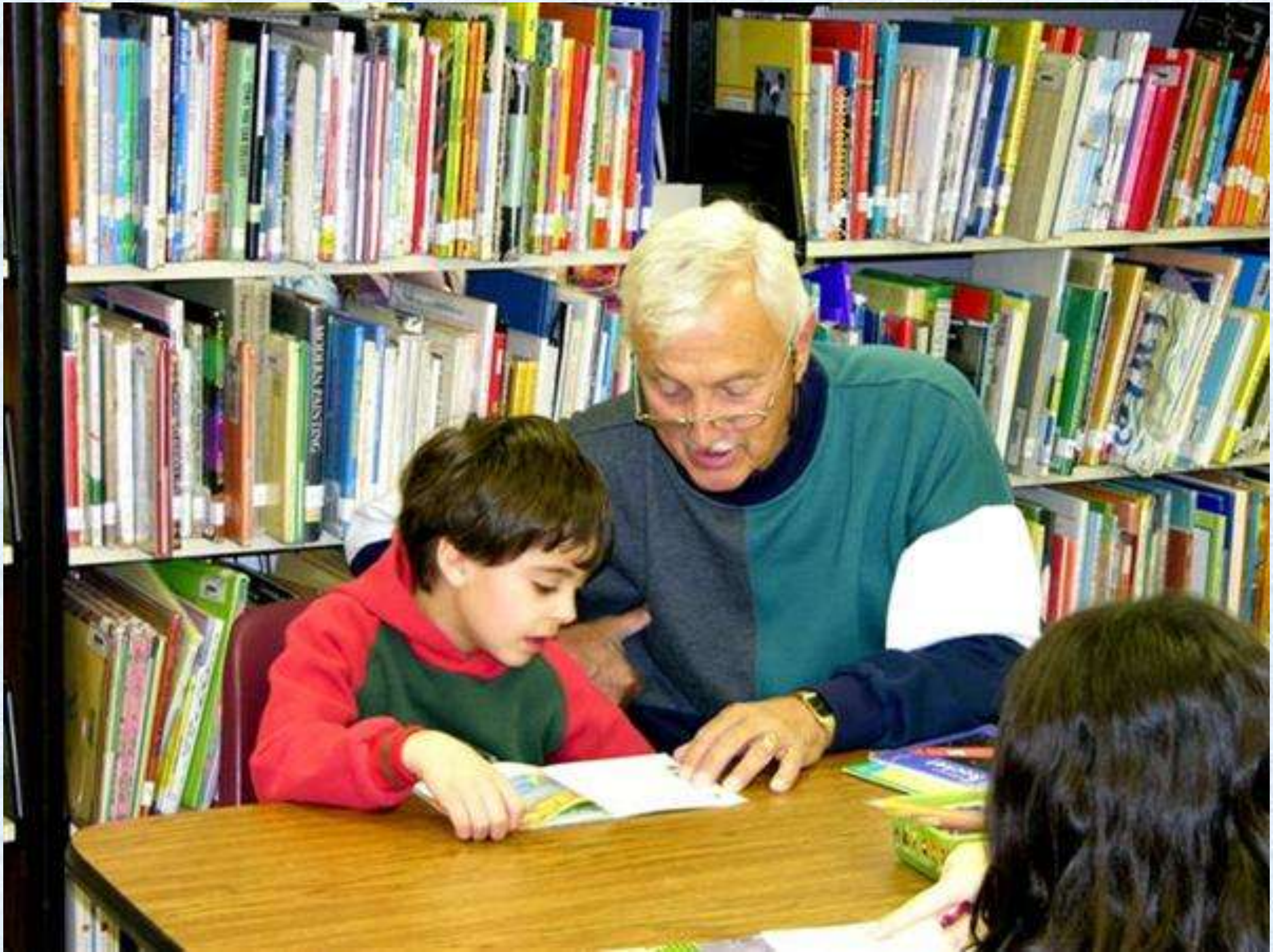
Ask!!

Clients will tell you why they are giving to their various charities.

Really add value and stand apart – use insurance tools.

- **Are there causes that you give to?**

- **How did you get involved?**



- **Do you discuss philanthropic choices with kids or grandkids?**

Deepen and expand relationships

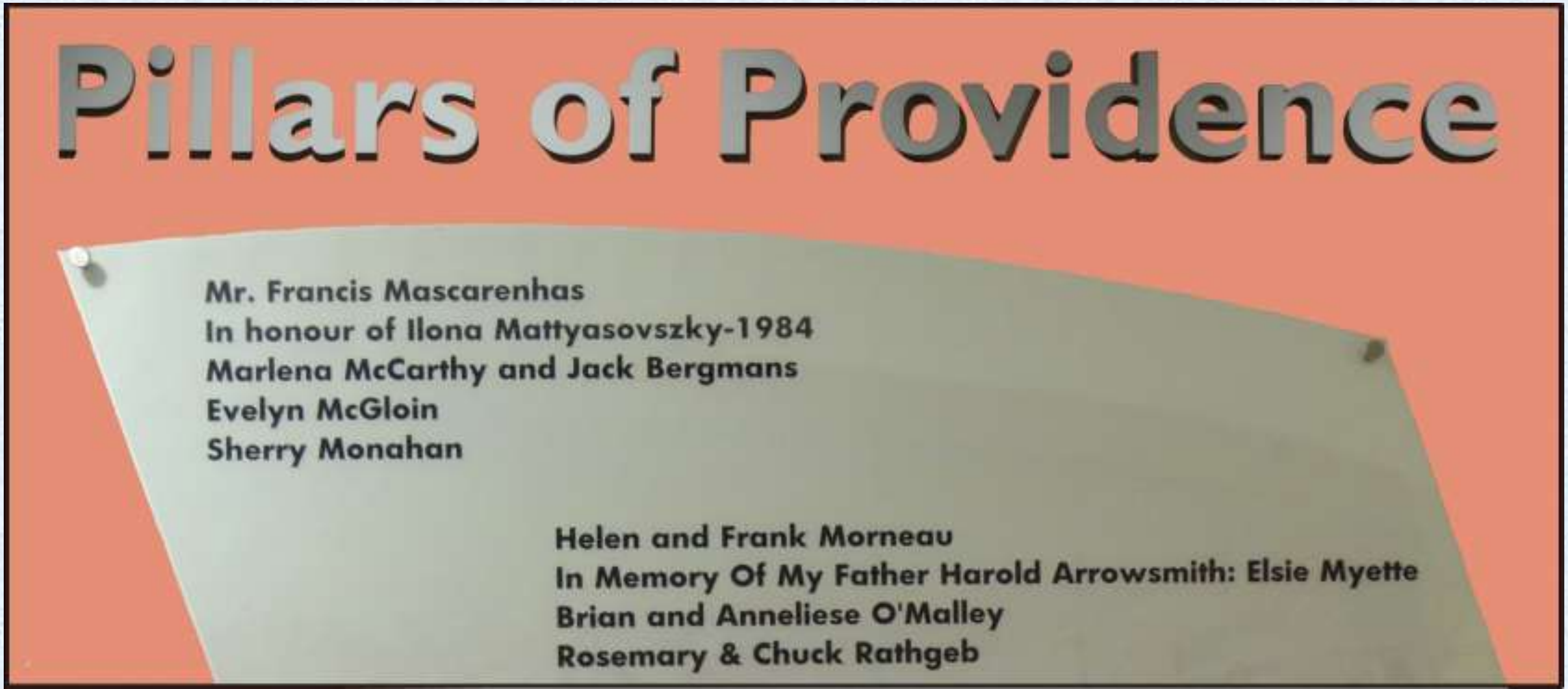
- Family and Executors
- Lawyers
- Accountants

Insurance…

- What if you could do a lot more good with exactly the same money, at no additional cost to you?

Recognition!

- Give to meet $ thresholds for recognition
  - ➢ Named legacies
  - ➢ Scholarships
  - ➢ Donor walls
  - ➢ In Memoriam gifts



2018 Graduated Tax Brackets	2018 Combined Federal and Ontario Marginal Tax Rates			
	Other Income	Capital Gains	Canadian Dividends Eligible	Non- Eligible
First $42,960	**20.05%**	10.03%	-6.86%	6.13%
$89,131 - $93,208	**37.91%**	21.70%	25.38%	33.46%
Over $220,000	**53.53%**	**26.26%**	39.34%	45.30%

Charitable Tax Credit (Ontario):

Federal 29% + Ontario 11.16 %

Charitable Tax Credit Is Not Graduated!! 40.16%*

******after*** the first $200 donation**

Would you rather pay

or

to charity?

I’m worried about my money lasting my lifetime

- Retirees agree: 48%
- Non-retirees agree: 74%

*2015 Angus Reid Canadian Survey

The sweet spot

Convert donations set aside in Will into much larger insurance gifts

Giving through the Will?

Jan. 1 2015

Ontario Estate Administration Tax
(Probate)

Estate Information Return
(Ontario)

Executor Liability

Ontario

Ministry of Finance

33 King St W
PO Box 625
Oshawa ON L1H 8H9

Enquiries: 1 866 ONT-TAXS (1 866 668-8297)
1 800 263-7776 Teletypewriter (TTY)
1 866 888-3850 (Fax)

Estate Information Return

Estate Administration Tax Act, 1998

Page 1 of 7

Ministry Use Only - Date Received

Within 90 days:

List the fair market value of all assets and the balance of all bank accounts of the deceased at the date of death.

Jan. 1 2016

Graduated Rate Estate (GRE)

- Charitable tax receipts can only be used when gifts are distributed
- GRE exists for 3 years
- Charitable tax receipts can't be claimed after 5 years

Charitable giving - good for business too

- Positive image boost

- Good corporate citizen
  = customer growth and loyalty

amazonsmile
You shop. Amazon gives.

ebay for Charity


Insurance = Larger Gifts
Greater Impacts

Potential sales opportunities in 2018 Federal Budget!

"Inappropriately reducing personal taxes using Personal Private Corporations"

- Sprinkling income
- Untaxed passive investments
- Converting regular income to capital gains
- …

Benefits of Donating Life Insurance Extends To All Insurance Products

- Life Insurance
- Annuities
- Segregated Funds
- GICs
- Variable Annuities (GMWBs)

Built-in features create powerful charitable gifts!

- Tax-free growth in value
- Gift flows outside estate not reduced by taxes/fees

= Simple administration and greater impacts

Private

Incontestable*

**** Some exceptions***

Keep control of assets intended for charity

Dreams of big inheritances
can make usual people
do unusual things…

Creditor Protected*

** Some exceptions*

Beneficiary Liability

S. 160 Income Tax Act

"Beneficiaries are liable for the value of property transferred by a tax debtor"


100% SATISFACTION
RISK
FREE
GUARANTEE

Advisor’s fiduciary responsibility?

Poor life insurance gifts

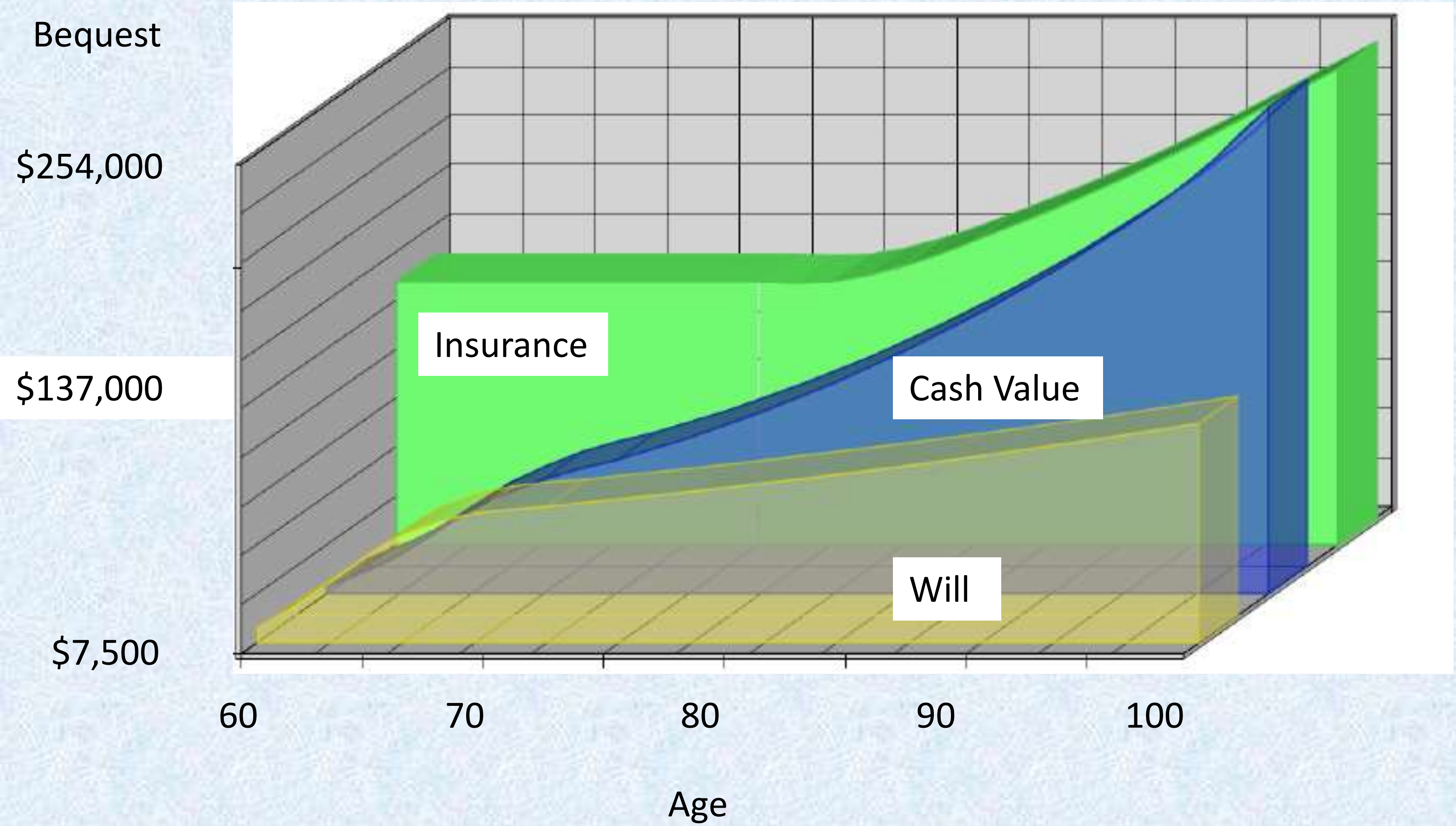
- Yearly renewable term insurance
- Term insurance
- T100
- Universal Life

Ideal life insurance gifts

Permanent Life Insurance

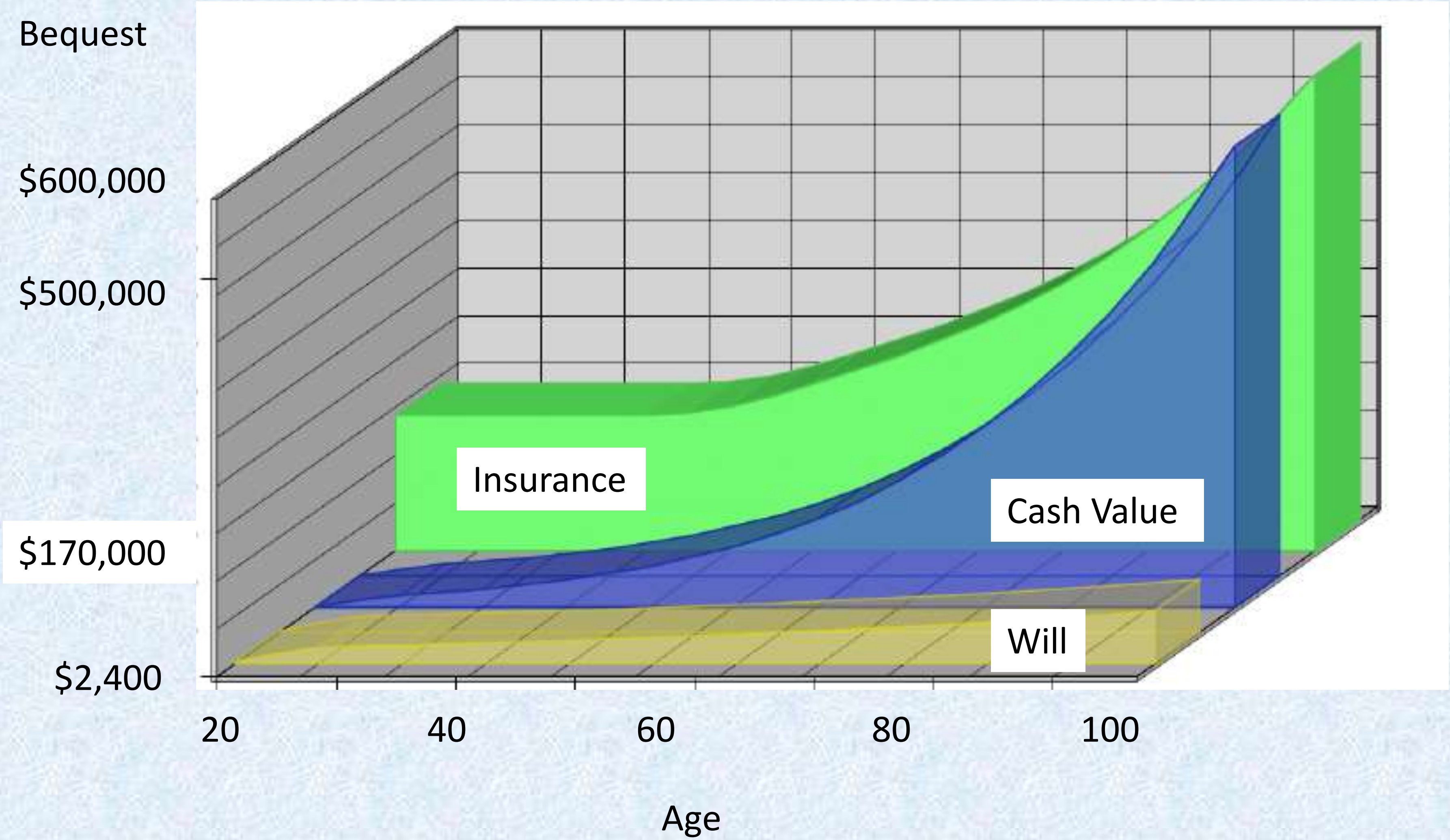
- Gift values grow over time
- Increasing cash values
- Fully-funded policies
- Quick Pay, Single pay

60 Year Old Female : $60k Bequest
Will vs. Permanent Insurance



E&O.E.

20 Year Old Female : $20k Bequest Will vs. Permanent Insurance



E&O.E.

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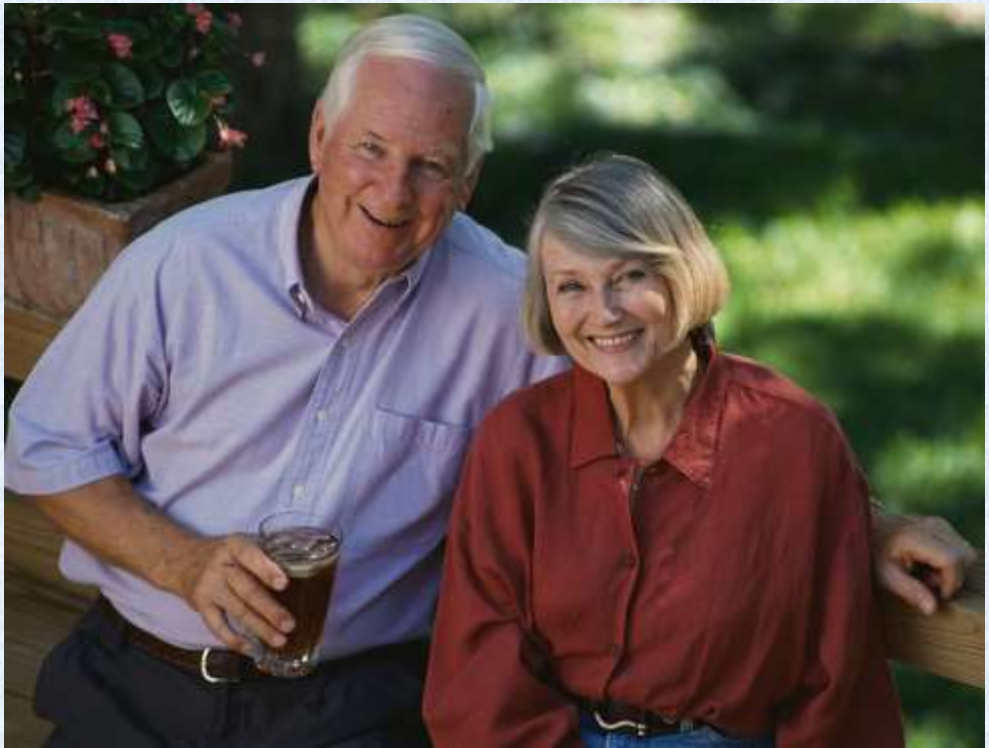
Using insurance in estate planning… with a twist

- Mike & Samantha, 65
- Healthy; happily retired
- Savings & company pensions



Legacy Goals

Support daughter Jane & four grandkids

Second Legacy Goal:

Generous legacy gift to university

Original Estate Plan

- Leave $175,000
  gift in Will
  to alma mater

- Leave Jane RRSP residue
  (currently $650,000)

Life Insurance To Improve Estate Goals

- $175,000 buys **$300,000** participating whole life 20-pay joint-last-to-die **life insurance policy**

- Jane is beneficiary

- **University named as beneficiary of RRSP residue**

Gift to University

Before: Bequest

$175,000

After: Legacy gift of

$450,000

Estate
taxes

Charitable tax receipt

on RRIF

Bequest to Jane

Before: 

~$210,000

Vs.

After: 

$600,000

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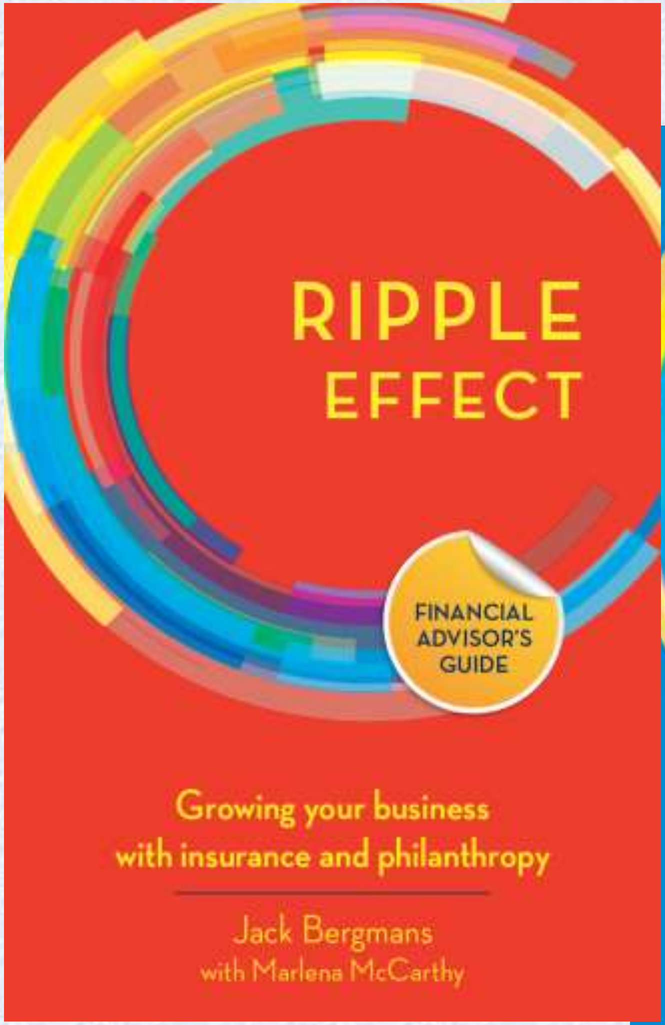
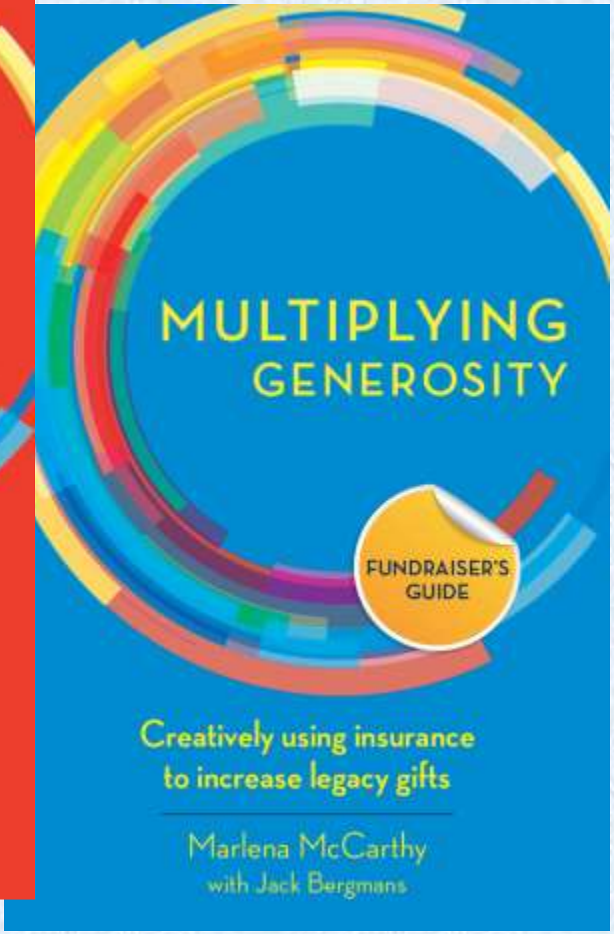
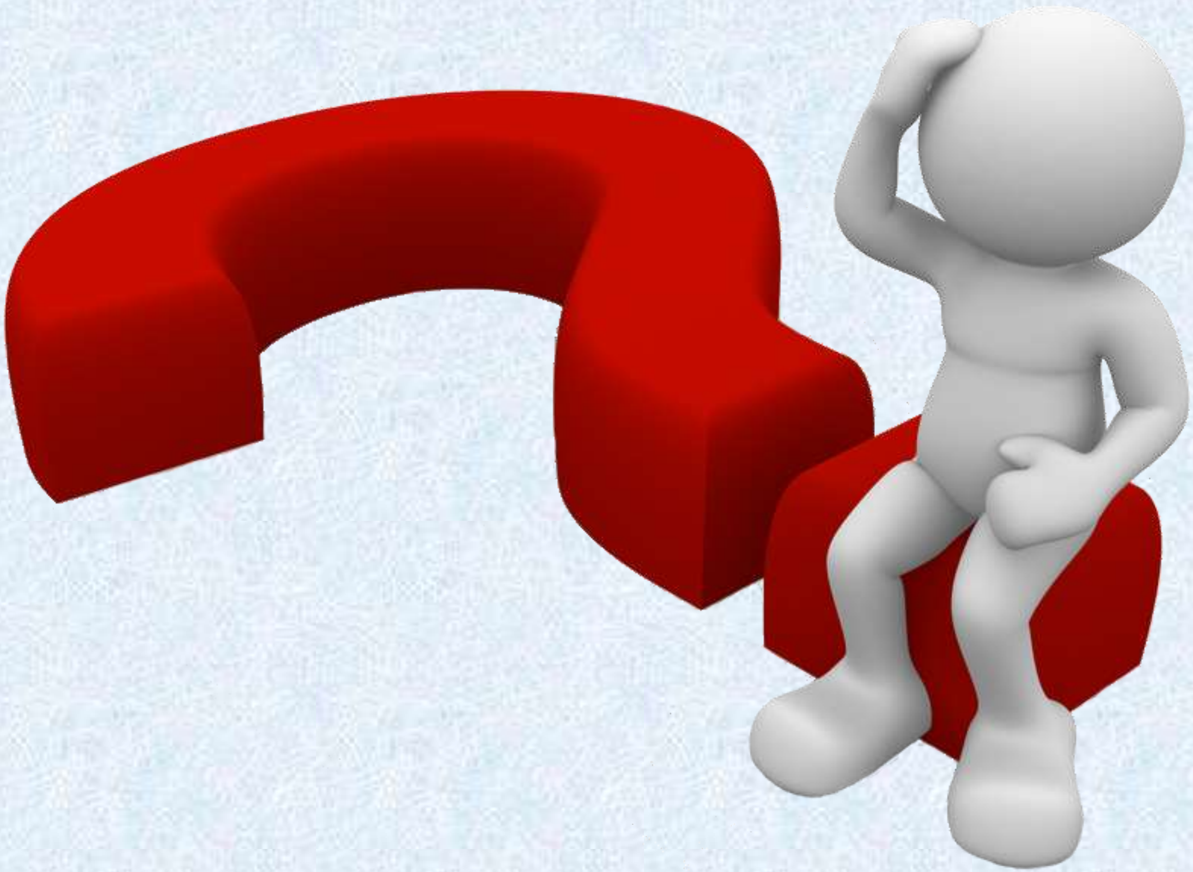
Want to learn more?





Books and online CE credit courses @ Hilborn Civil Sector Press

Thank you!



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