

Minimizing Tax through Charitable Giving

Insurance has typically been used to protect against the risk of future financial loss. However, more and more, innovative insurance solutions are being used to safeguard the value of investors' assets in a tax-efficient manner. One tax-related benefit to insurance is the minimization of taxes through charitable giving.

The gift of life insurance can be effective in providing a practical and affordable way to make sizeable charitable gifts to your favourite charities or private foundation. Not only will life insurance help increase the size of your gift, in most cases it will provide significant tax benefits.

Four Ways to Leave a Legacy through Life Insurance

1. Transfer ownership of a paid-up policy to a charity.

This is equivalent to an outright gift of cash in the amount of the policy's cash surrender value. The charity can surrender the policy immediately or retain it until the insured individual dies and collect the death benefit then.

2. Transfer ownership of an existing policy in which the premiums are still being paid.

A policy is gifted to a charity and the person receives charitable receipts for each subsequent premium. Tax savings are received during life from donating the policy itself and subsequent premiums. The charity will receive the death benefit but no further receipt will be issued.

3. Create a new policy and name the charity as owner and beneficiary.

This is an effective way to donate to a charity you are currently supporting. You receive a tax receipt for annual premiums but not for the death benefit.

4. Designate the charity as the beneficiary of a new or existing policy so that the charity will receive the life insurance proceeds at death.

This will not generate any tax credit during your lifetime however the amount of the death benefit will be paid out as if it was a bequest made in your Will. In the year of death, your estate will receive a charitable receipt for the face amount of death benefit that the charity receives.

For individuals who are committed to making a meaningful legacy, planning a charitable gift is part of a comprehensive philanthropic plan. The plan should be driven by your values to create the most lasting contribution in the future. Insurance solutions for charitable gifting include annuities, life insurance, and wealth replacement plans. Your advisor will help you to develop a charitable plan utilizing insurance solutions that are integrated into your financial plan and reflect your investment and legacy objectives, while minimizing taxes on your estate and for your beneficiaries.

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