

# Giving Life Insurance

Life insurance is a popular and practical way to make a significant gift to charity. Your gift of life insurance to The Winnipeg Foundation can have an incredible impact for a cause you love while providing you with significant tax benefits.

There are three ways to make a gift with life insurance:

## 1. **Donate an existing life insurance policy to The Winnipeg Foundation.**

If you own an existing life insurance policy that you no longer need, you can transfer ownership of the policy to The Winnipeg Foundation, that direct the proceeds to support a cause close to your heart, and receive significant tax benefits.

The Foundation must review your policy before deciding to accept it. Once The Foundation has been named as the policy owner, you will receive a tax receipt for the cash surrender value of the policy. If the policy requires continued premium payments, you will receive tax receipts for the premiums you pay on that policy after the transfer is completed.

### *Example:*

John Rogers purchased a life insurance policy when his children were born, but now that his children are grown up and self-sufficient, he feels he doesn't need the policy anymore.

The face value of the policy is \$100,000, the cash surrender value is \$40,000 and the monthly premium payments are \$100. John donates the policy to The Winnipeg Foundation and receives a \$40,000 tax receipt for the cash surrender value, generating a tax credit of \$18,560 (assuming a combined Manitoba provincial/federal 2015 tax credit of 46.4%). He continues to pay the monthly premiums and every year he receives a tax receipt equaling the value of his premium payments.

When he dies, The Winnipeg Foundation receives the \$100,000 death benefit. John had instructed that The Winnipeg Foundation set up the Rogers Family Fund with the gift, which supports arts and culture in Winnipeg. John's children receive news about the wonderful things their father's fund accomplishes.

## 2. **Name The Winnipeg Foundation as the beneficiary of an existing life insurance policy.**

Naming The Foundation as the beneficiary of all or part of an existing life insurance policy is fast and easy. Simply contact your insurance company for a beneficiary designation form, and add The Winnipeg Foundation as beneficiary of all or part of the proceeds.

You can work with The Foundation to create a fund that supports the causes you care about. When The Foundation receives the gift, it will establish your fund. Your estate will receive a tax receipt equal to the amount of the gift.

Because life insurance gifts are not typically subject to a waiting period or probate fees, your gift could arrive at The Foundation much more quickly than a cash bequest.

**Example:**

Mary Horton wants to ensure gifted students can afford university. She contacts her insurance company, and names The Winnipeg Foundation as the beneficiary of one of her policies, valued at \$100,000.

When Mary dies, The Foundation receives the gift and places it into the Mary Horton Fund, which provides scholarships to high school students entering university.

Mary's estate receives a \$100,000 tax receipt for the value of the gift, reducing her estate taxes.

**3. Purchase a new policy to donate to The Winnipeg Foundation.**

You can make a sizable donation in the future for a relatively modest cost now by purchasing a new life insurance policy and transferring ownership to The Winnipeg Foundation.

Once you have named The Winnipeg Foundation as the owner of the policy, The Foundation will name your fund as the beneficiary, ensuring that the proceeds go to a cause you care about. You will receive an annual tax receipt equaling the value of premiums you pay on the policy.

**Note:** If you are interested in this option, please contact your professional advisor and The Winnipeg Foundation first, to ensure that you purchase a policy that fits your needs and can be used as you wish at The Foundation.

**Example:**

Lauren Johnson wants to leave a large legacy gift for environmental causes, but also needs to provide for her children. She purchases a policy for \$30,000 with monthly premium payments of \$25, in the name of The Winnipeg Foundation.

The Winnipeg Foundation assigns the Lauren Johnson Fund as the beneficiary of the policy. Lauren receives annual tax receipts of \$300, representing her premium payments. When she dies, her fund receives the \$30,000 death benefit. Her other assets go to her children as she wished.

**Using life insurance as “wealth replacement”**

An insurance policy is also a good way to provide “wealth replacement” when you donate an asset you might otherwise leave to your heirs.

**Example:**

At age 60, Marilyn contributes \$100,000 to The Winnipeg Foundation and realizes tax savings of \$46,400 over the period she claims the donation receipt. She uses \$22,000 of the tax savings to purchase a paid up \$100,000 policy. At her death it will go to her children, replacing the amount she gave to The Foundation. Meanwhile, she still saves \$24,400 in taxes through her gift.

A gift of Life Insurance can be a fulfilling use for a no-longer-needed asset, or the way to make a generous future gift for a modest current cost.

	Your gift comes into effect	You receive tax benefits
Donate an existing policy	At death	During life
Purchase a new policy	At death	During life
Name The Foundation as beneficiary	At death	Your estate

### **Retirement from your business**

There may be an opportunity to transfer your insurance policy on retirement. You have spent years paying premiums for the policy and with retirement the need for insurance is no longer required.

You can arrange for an actuarial calculation of the financial value of the policy which will be in excess of the cash surrender value.

The gift of this insurance policy will be tax receipted at this actuarial valuation amount. Therefore, you will receive a larger tax advantage donating this insurance policy to The Foundation.

*NOTE TO READER:* The purpose of this publication is to provide general information, not to render legal advice. In addition any changes in the tax structure may affect the examples listed in this information. Please consult your lawyer or professional advisor when planning your gift.