

# GIFT OF LIFE INSURANCE



## WHAT IS A GIFT OF LIFE INSURANCE?

Life insurance can be donated several different ways:

- Purchase a new policy.
- Transfer ownership of an existing policy to Fondation Hôpital Charles-LeMoine.
- Name Fondation Hôpital Charles-LeMoine as the beneficiary of the death benefit.

## WHAT ARE THE ADVANTAGES FOR YOU?

- You offer a sizeable donation for a modest premium.
- Simple to do: no legal document is required.
- The tax benefits of a gift of life insurance can be maximized according to your financial and tax situation:  
**OPTION 1** – You name the Foundation the owner and beneficiary of your policy and you receive a tax receipt for the amount of the premiums paid. For an existing policy, you will also receive a receipt for the market value of your policy.  
**OPTION 2** – If you expect your estate to have a heavy tax burden, it would be more advantageous to name the Foundation the beneficiary of your policy, in whole or in part. The donation will occur upon death and your estate will gain from the tax benefits (the death benefit becomes the donation). However, you will not receive a receipt for the premiums paid during your lifetime.

## FOR WHAT TYPE OF DONOR?

**New policy:** Anyone in overall good health between the ages of 25 and 65 who would like to make a sizeable donation but does not have the necessary cash assets to do so immediately.

**Existing policy:** Anyone holding a life insurance policy whose needs have changed and would like to make a sizeable donation without using their cash assets.

## A PLANNED GIFT

**SO THAT  
YOUR GENEROSITY  
LIVES ON**

PLANNING A GIFT OF LIFE INSURANCE IS ABOUT DEFINING WHAT YOU HOLD DEAR, MAKING DECISIONS AND TAKING STEPS TO ENSURE THAT YOUR GENEROSITY HAS A LASTING LEGACY!

**QUESTIONS?**

**CONTACT US**

450-466-5487 - [fondation@fhclm.ca](mailto:fondation@fhclm.ca)

## EXAMPLES OF A GIFT OF LIFE INSURANCE

**NEW POLICY:** Jonathan is 28 years old, a non-smoker and in good health. He would like to make a major donation but does not have the necessary cash assets to do so. He decides to purchase a \$50,000 life insurance policy with a 20-year term. Each year, Jonathan will receive a tax receipt for the amount of the premiums paid.

Cost of annual premiums	\$445
Total cost of premiums (\$445/year x 20)	\$8,900
Charitable donation tax credit	\$4,450
Donor's net disbursement	\$4,450
Amount received by the Foundation after Jonathan's death	\$50,000

**EXISTING POLICY:** John has a \$100,000 life insurance policy that he took out 20 years ago and for which the premiums have all been paid. He would like to make a sizeable donation while benefiting from a tax credit during his lifetime. He transfers the ownership of the policy to the Foundation and names it the irrevocable beneficiary. The actuaries have established the market value at \$30,000, the surrender value at \$15,300 and the adjusted cost basis at \$11,700.

Surrender value	\$15,300 (a)
Adjusted cost basis	\$11,700 (b)
Tax payable (50% of a-b)	\$1,800 (c)
Market value of the policy	\$30,000 (d)
Charitable donation tax credit	\$15,000 (e)
Net tax credit (e-c)	\$13,200 (f)

### **POLICY FOR WHICH THE FOUNDATION IS THE BENEFICIARY BUT NOT THE OWNER:**

Lucien, 81 years old, has an annual income of \$50,000. He still has a RRIF valued at \$50,000 upon his death. He has a \$100,000 life insurance policy and has named Fondation Hôpital Charles-LeMoyne the beneficiary. The estate will receive a \$100,000 tax receipt.

Taxable amount after death (income, \$50,000 + RRIF, \$50,000)	\$100,000 (a)
Life insurance capital paid to the Foundation	\$100,000 (b)
Charitable donation tax credit	\$50,000 (c)
Tax payable: (a x 50%-c)	\$0

Note: The calculations in this example have been simplified for demonstration purposes. The charitable donation tax credit and tax payable were rounded off to 50%. Fondation Hôpital Charles-LeMoyne does not give financial or legal advice. The examples provided are for illustrative purposes only. We encourage you to consult your financial or legal advisor to make sure that the option you choose takes into account your particular situation.