

# Donating an Existing Life Insurance Policy

## Case Study

Mark (currently age 76) decides that he no longer requires a permanent life insurance policy that he originally purchased when he was 46 years old.

### Existing Life Policy Data

Face Value: \$1 million face value  
Cash Surrender Value: Nil  
Annual Insurance Cost : \$7,947 (Guaranteed)

Prior to the recent change in administrative practice at the Canada Revenue Agency, Mark had planned to allow the policy to lapse. After some reflection and simple analysis, Mark concludes that it would make more sense to donate the policy to Canada Gives than to allow the policy to lapse.

An approved actuary determines the existing fair market value of the policy to be \$550,000. Mark donates the policy to Canada Gives, directing the funds to his Personal Foundation account, and receives a tax receipt for \$550,000. The tax receipt will offer Mark \$255,255 in current tax savings (assuming a 46.41% tax rate). Mark can use some of his upfront tax savings to fund the annual premiums relating to the policy for the rest of his life (\$7,947/year less \$3,688 tax savings = \$4,259 net annual donation). His Personal Foundation account at Canada Gives will receive a future gift of \$1 million from the insurance proceeds, and continue to support the charities that are important to him.

## Financial Summary

	Mark Allows Policy To Lapse	Mark Gifts Policy
Immediate Benefit (\$) * Tax Credit Value	NIL	\$ 255,255
Net Annual Cost to Continue Funding* *(After 46.41% Tax Credit)	NIL	\$ 4,259
Positive Economic Impact	NO	YES
Future Gift to Donor's Account at Canada Gives	NIL	\$ 1,000,000

## The Basics

- Benefit from a recent change in Canada Revenue Agency practice [the value of the donation receipt to be issued will be equal to the actuarially determined fair value at the time of the gift (formerly donation receipt restricted to policy cash surrender value)].
- Receive a current tax receipt for the policy fair value and obtain immediate tax benefits.
- Continue funding the required annual premium payments for the policy and receive additional tax receipts equal to the amount of payments made each year.
- Simply transfer ownership and designate the beneficiary of the insurance policy to Canada Gives, directing the funds to your Personal or Family Foundation

To arrange your consultation contact,  
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Canada Gives is a registered charity and operates as an independent public foundation.

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