LIFE INSURANCE: Income to You and a Gift to CHS

Life insurance is a simple idea that takes many shapes. Its basic purpose, of course, is to provide money to meet the needs of survivors at the insured person's death, and all policies pro-vide this benefit. However, life insurance policies may also build up monetary value that can be utilized for a variety of purposes. A particular policy may be intended primarily for *protection* through its death benefit, or it may be designed more for *investment* purposes through increasing cash value. Here are some general types of policies:

- **Term Life** maximizes the death benefit payable if the insured dies within a specified time, but it accumulates no cash value. Because it offers the most affordable protection, it is often the choice of young parents primarily concerned about security for their family in case of an untimely death.

- **Whole Life** combines a death benefit with predictable cash value growth. Normally the premium and death benefit are fixed, and the cash value grows according to a predetermined schedule. It provides family protection but may also be used as a savings plan for such expenses as children's education.

- **Universal or Variable Life.** These policies place greater emphasis on growth. The premium and/or the death benefit may change, and growth in the cash value will depend on investment performance. Premiums may continue throughout life or end when sufficient reserves are accumulated to sustain the policy. Large initial premium deposits may render future premium payments unnecessary.

Any of these policies can fill an important role in your financial plan. As time passes, however, the original purpose may become less important. As children grow up and we accumulate other resources, the need for family protection decreases.

As time goes by, our priorities change. We find ourselves wanting to share our good fortune with those around us, to show our support of the causes and institutions we believe in, to leave the world a little better than we found it. When goals such as these take prominence, the life

insurance policy that served us well in years gone by can serve us in an entirely new way when we make a charitable gift. In other cases, a new policy can be the key to achieving philanthropic goals.

Here are some possibilities:

- *Give the death proceeds.* Marvin no longer needs the $25,000 death benefit from the policy he took out years ago when his family was young. So he decides to leave the proceeds payable at his death to CHS. When he dies, his estate will receive a donation receipt for the amount of the death benefit, resulting in significant tax savings on his final return. If the donation receipt exceeds 100% of his income in that year, the excess can be carried back to the previous year, and the 100% limitation will apply to that year's income as well.

- *Give the policy itself.* Kim, age 75, had almost forgotten her paid up $50,000 policy until she began thinking about establishing an endowment with CHS in memory of her husband. She depends on the income from her other investments, but the insurance policy makes an ideal gift. Because she makes CHS the beneficiary and also the owner of the policy, her gift is irrevocable, and she receives a donation receipt for the cash value of the policy, creditable up to 75% of her income (excess credit may be carried forward up to five years). Kim's policy is paid up, but if premiums were still owing and she continued to pay them, she would receive donation receipts for those payments as well.

- *Give a new policy.* Ralph, in his mid-40s, would like to make a significant gift to CHS. He has no existing policy or assets to contribute, but he does have some discretionary income. He purchases a new $40,000 policy naming CHS as both owner and beneficiary, and pays for it in five annual payments of $1,200 each. He receives a donation receipt for each payment and, assuming a combined federal/provincial tax credit of 48%, his annual tax saving is $576. Thus his "net cost" for each premium is $624, and he makes a $40,000 future gift for only $3,120.

There are other ways, too, in which life insurance can enable a donor to make a significant charitable gift.

- *Using life insurance for wealth-replacement.* Francine and George, both age 60, want to contribute $100,000 to CHS without diminishing their legacy to their children. Assuming a tax credit of 48%, they realize tax savings of $48,000 over several years by making the gift. They plan to use a portion of these savings to purchase a "second-to-die" policy that will add $100,000 to their estate when the surviving spouse dies.

- *Using annuity income to make a life insurance gift.* Peter, 68 years old and in the 48% combined tax bracket, has $100,000 in bonds and GICs from which he receives after-tax income of $350 per month. He uses this asset to purchase a commercial annuity that provides him after-tax payments of $830 per month. He then allocates $300 of this increased cash flow each month to pay the premiums on a $100,000 life insurance policy that he purchases in the name of CHS. He receives a donation receipt for every premium paid, and at his death, the insurance proceeds will be his gift to CHS.

These are some of the ways in which life insurance can help you achieve your personal and charitable goals. If you would like to explore a life insurance gift to CHS tailored to your circumstances and interests, please contact Katherine Hesson-Bolton, Manager of Major Gifts and Planned Giving. ◆

For more information, please contact:
Katherine Hesson-Bolton
Manager, Planned and Major Gifts
The Canadian Hearing Society
271 Spadina Road, Toronto, Ontario M5R 2V3

Phone: 416-928-2500 ext. 252
Toll-free: 1-877-347-3427
TTY: 416-964-0023 ext. 252
Toll-free: 1-877-347-3429
E-mail: khessonbolton@chs.ca
Website: www.chs.ca