

GIVING TODAY....FOREVER AND EVER

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In this article, I want to take a leap of faith and assume you have reached the decision to make a planned gift. How do you do it? What are the instruments you can employ to make the gift?

Thanks to a decade of reforms, the tax system in Canada has grown to be one of the most generous in the world for donors. That said, there is no evidence that reducing tax will motivate a donor to give. What it may do is cause the already generous donor to be more so, if the gift can be arranged in a tax effective manner.

The first decision to make is whether to make the gift during your lifetime (*inter vivos*) or at death (*testamentary*). Arriving at the decision to give during your lifetime often depends on the five C's I talked about in my previous article. Part of that decision may stem from enlightened self interest. If you want to see the gift in action during your lifetime, and you are in a position to make the gift, there are a number of ways you can do so.

An outright gift of **cash** in the form of a **GIC, Canada Savings Bond, or a cheque** from your savings account, etc. is the simplest gift to make. Your gift generates a tax slip from the Redeemer for the value of the gift.

You can also donate a **life insurance policy**. A new policy is taken out by you and then ownership is transferred to the Redeemer. You get a tax receipt for each insurance premium you pay. When you die, the Redeemer receives the death benefit, and no benefit accrues to you or your estate. If you have a **cash value life insurance policy** that no longer meets your needs, you can transfer the ownership to the Redeemer. You will receive a tax receipt for the cash surrender value of the policy, as well as a deduction for any subsequent premium you pay. Again, no benefit to you or your estate on your death, but Redeemer receives the proceeds. For those without a substantial estate, possibly younger, and insurable, this is the most inexpensive way of making a substantial gift by using discounted dollars.

Annuities are another easy way to arrange a gift to the Redeemer. These instruments are very popular with older donors, especially those who still need an income from their capital. If you have used GIC or bonds to generate income, this may be a very attractive alternative, because the after tax income from the annuity will in most cases be higher than the equivalent bond or GIC income. You can do it in two ways. You can donate your capital to the charity and agree to a prescribed income (**charitable gift annuity** or **annuity plus**). This income is defined using actuarial tables specifically established for charities. You receive an upfront tax deduction for part of your gift (the residual capital not required to purchase the income), and the balance is used to produce an income for

you which is substantially (depending on age and gender) tax free. You can also provide a survivor guarantee period, which will never outlive the income, but which may provide an additional capital infusion to the Redeemer if you (and your spouse) die before the guarantee period expires. Be sure your charity (Redeemer) is licensed to offer these annuities. Many charities advertise these annuities, but are not licensed issuers. Technically, they must reinsure the annuity. Not all do, which could place the donor in jeopardy if the charity can no longer guarantee the income. The Anglican Church of Canada is a licensed issuer, but currently reinsures the bulk of its annuities, so your income is safe if you choose this donation route. They are also experienced issuers, which should make the donation process run smoothly. Because of recent technical changes in the Income Tax Act, the charitable gift annuity is no longer as attractive. Many donors purchase a **commercial annuity**. The capital requirement to produce the same income is lower, and the difference in capital is donated as an outright gift to Redeemer. Redeemer can also be named as the beneficiary of the commuted value of the guaranteed amount. It is simple and transparent, with no uncertainty for the donor.

Successive tax changes around gifts of **capital securities** (stocks, bonds, mutual funds, etc.) have resulted in substantial donations to charities since the beginning of the decade. Current tax rules on the sale of appreciated property (the notable exception being your principal residence) require you to pay tax on one half of the capital gain if the property is sold. However, there is an exception for capital securities that are donated to Redeemer. The donor receives a receipt for the market value of the security and has no capital gain to worry about. The Diocese of Toronto facilitates this gift for all parishes without charge. The form to begin the donation process is found on our website at www.theredeemer.ca.

One of the reasons people hesitate to make the decision on a planned gift during their lifetime is because they find it difficult to predict what the future holds for themselves (or the parish). A gift to the Redeemer is irrevocable. However, what if circumstances cause you to leave this parish community? You can make your gift in faith to a **foundation**, such as the **Anglican Foundation** (national), or the **Good Steward Foundation** (diocesan). These organizations receive your capital gift and invest it to produce an annual income to the beneficiary(ies) whom you can choose annually. So, if you are currently a member of Redeemer, you can allocate the annual income from your gift to Redeemer. If you move to St. Swithans-in-the-Swamp (a very low church to be sure!) in five years, you can change the designation of the income to your new parish. The beauty is that you know your gift will be used in perpetuity in a manner consistent with your wishes, even if the parish is disestablished. You can also use a community foundation to accomplish the same goal, especially if you have multiple charitable interests in addition to Redeemer. Redeemer is named one of multiple beneficiaries of your foundation gift. You can also use a donor advised (commercial) foundation like Charitable Gift Funds of Canada Foundation, or Strategic Charitable Giving Foundation.

There are a number of other ways a gift can be made during your lifetime. This includes **real estate, art, antiques, books**, etc. Because these gifts may be difficult to value, illiquid, have potential liability associated with them (e.g. soil contamination, structural damage, etc.), or have high security or insurance costs associated with maintaining them, the donor should be aware that Redeemer may choose not to accept the gift. If we do, we won't issue a receipt until the gift is sold by the parish, or we receive independent appraisals of the item's value. Our advice will often be to encourage the donor to look elsewhere for a charity properly equipped to handle these gifts. In rare cases a donor may offer a **residual gift** of such property, in return for lifetime use or enjoyment of the property. This adds a level of complexity, which will require outside expertise and an advance ruling from CRA before valuing of the gift. In such a situation, we encourage the donor to consider a testamentary gift instead.

In my next article, I will discuss the planning options available to you after your death. In the meantime, if these articles have piqued your interest, please do not hesitate to contact a member of the Stewardship Committee, myself, or one of the clergy team to discuss your interest.

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