ST JOHN'S COLLEGE

How Life Insurance Can Leverage Your Gift to St John's College and Provide Tax Credits

Many donors have found life insurance to be a rewarding way of making a large future gift to St John's College, while providing tax credits that can be used now. Premiums that are paid on a donated life insurance policy are eligible for a charitable tax receipt.

There are three common situations in which a gift of life insurance may greatly benefit estate planning while helping to achieve philanthropic goals. Methods should be explored with a financial planning specialist to find the best one to meet your specific estate needs.

1. **Donation of an existing policy:** As a person's circumstances change, life insurance policies that were once considered important to estate planning may no longer be needed. In this case, individuals can choose to donate their life insurance policy to the college. The college will issue a tax receipt for the fair market value of the policy. If any future premiums are paid, the college will also issue a tax receipt for them.

2. **Purchase of a new policy:** A person may purchase a new policy and assign the college as its owner. The college then designates itself the beneficiary. The individual pays the life insurance premiums on the policy and receives a charitable tax receipt for each annual premium as it is paid.

3. **Designating St John's College as the beneficiary of an existing policy:** An individual may simply choose to designate the college as the beneficiary of an existing policy for which they retain ownership. A tax receipt will be issued to the estate by the college at the time the policy proceeds are received, which can be used to offset estate taxes.

Life Insurance Policies and Wealth Replacement

Not only can a gift of life insurance help ensure a family's financial security after a death, it can be used as part of a financial plan to accomplish a substantial gift to the college while preserving the value of your estate for your family members. One concept called wealth replacement may provide this service.

The concept is best explained through a simplified example:

Suppose that a retired couple own a cottage (or another asset such as art work, real estate or appreciated capital property) that they had intended to leave to their two children. The children plan to sell the cottage since they both live in a different province and are unable to use it. If they receive the cottage through a bequest from their parents, and then sell it, they will be responsible for paying capital gains on the property based on the increase in value from the time their parents purchased it.

Rather than bequeath the cottage, the couple may donate it to the college. The resulting tax credit helps them to pay down the capital gains taxes owing and may also allow them to purchase a joint life insurance policy with their children named as beneficiaries. The life insurance policy is taken out in the amount equal to the value of the cottage.

Upon death of the surviving spouse, the children receive the benefit of the life insurance policy tax-free, which is equivalent to what the value of the cottage would have been had they sold it, without having to pay the capital gains taxes.

For more information contact:
Development Officer, Planned Giving, St John's College
Development Department, 207 – 92 Dysart Road
Winnipeg, MB R3T 2M5
Tel.: (204) 474-9350 or Toll Free: 1-800-432-1960 (ext 9350)
Fax: (204) 474-7610 Email: jmarkstr@cc.umanitoba.ca