DREAMING BIG

— A practical guide to gift planning —

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INTRODUCTION

In Canada, we are experiencing an interest in planned giving that is unprecedented in the history of our country. The impetus behind this is the growing number of Canadians who are reaching their years of greatest financial strength. Recent statistics have indicated that one Canadian a minute turns 50 years old! Why is that important? We know that currently this group controls over 75% of the wealth in Canada. Is it any wonder why people are taking a greater interest in planned giving?

As Christians, we have a Biblical imperative to be good stewards of the resources with which God has entrusted us. One of those resources is our finances. This means we should take an even greater interest in planning our giving.

I trust that this booklet assists you in being a good steward of your finances to the honor and glory of our Lord.

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Dream Big

Have you ever dreamed about what could be accomplished for the Lord's work if money was not an obstacle? God is able to provide all things, in all circumstances, yet he often uses you and me to accomplish His will.

What could be accomplished if your favorite ministry had $100,000, or $1,000,000 or even $10,000,000 to use as the Lord has directed? Sadly, many ministries are unable to accomplish all that they believe the Lord would have them do.

Maybe you are part of this dream's fulfillment. As you plan to be a good steward of all the Lord has blessed you with, possibly you will be a part of God's plan to accomplish great things.

Will you dream as you review the potential of dramatically increasing or expanding your gifts, both now and in the future to the honour of God?

Note: The **"IN REAL LIFE"** examples given in this booklet use the top marginal tax rate and will vary depending upon a person's unique circumstances and the province of residence.

Does it really matter?

Canadian Christians have worked hard over their lifetime to achieve a certain level of financial independence. Some of those who have finished raising their families are now looking toward, or are actually already in, retirement and have the ability to live a comfortable, worry-free life.

Yet scripture is clear that we are accountable for our wealth even in these later years of life. 1 Chronicles 29:12 says, "Both riches and honour come from thee thou reignest over all." The freedom and success that many enjoy today is due to the blessing of God in our lives. It's important not to lose sight of this.

In Luke 16:11-13, Jesus makes a sobering statement. He says that there is a direct relationship between our ability to handle our earthly possessions and our ability to be used effectively in His Kingdom. How we manage our financial affairs is important.

Earlier in Luke 12:48, Jesus said "For unto whomever much is given of him shall much be required." Our requirement to be a good steward increases with our financial wealth. Put another way, the more we have, the more accountable we are.

PRESENT GIFTS

■ Gifts of Cash

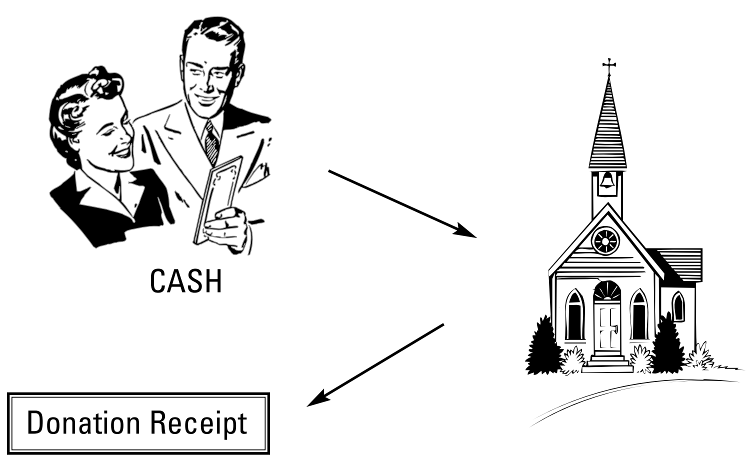
This is probably the simplest and most common form of gifting. It is the most widely used type of donation because of its ease and speed of completion.

IN REAL LIFE:
In 2001, Jake Smith makes a cash gift of $10,000 to his church. He currently earns in excess of $100,000 annually and is subject to the top marginal tax rate. How much does his gift cost him after his tax savings are included?

2001 Donations		$10,000
First $200	- 52	
* Balance ($9,800)	-$ 4,508	-$ 4,560

After tax credit cost: $ 5,440

How it works:



■ Gift of Marketable Securities

Over the last number of years, many Canadians have gained (and some lost) huge fortunes through holding investments in listed securities such as stocks, bonds, warrants, and futures traded on approved stock exchanges in Canada. This can also include mutual funds whose holdings are these investments.

Gifts of appreciated listed securities are more appealing than ever. That is because one half of the taxable gain in a qualifying gift of securities is now exempt from taxation. Consequently, you will pay less tax on the gain when you donate, rather than sell, these securities.

When you dispose of securities by way of a gift, you are deemed to have received proceeds equal to the securities' fair market value. This means you must account for the capital gains that have accrued during the time you have held these securities.

Your donation receipt is issued for the full fair market value of the securities on the day they are donated and transferred to the ministry. This means you get a charitable tax credit for the full amount of appreciation of the securities, while being taxed only on a small fraction of it.

IN REAL LIFE:
John Jones purchased shares in 1999 for $2,000. He has decided to sell them now and donate the proceeds to the Lord's work. He has recently heard that there are different options of how to do this so he has asked for an explanation:

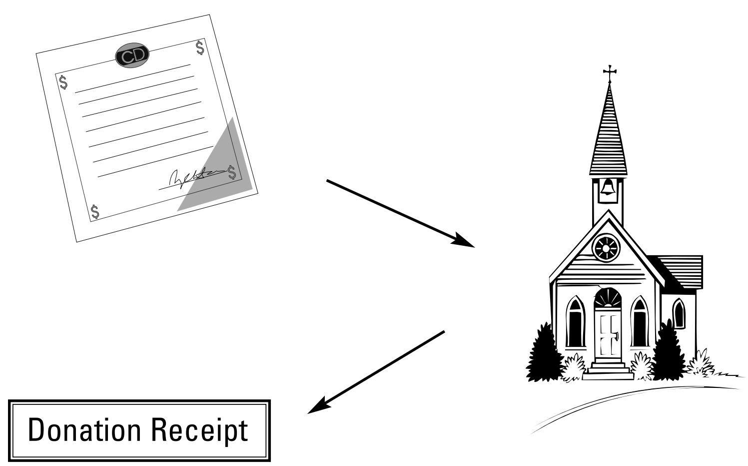
Option 1: Sell the shares and donate the proceeds to the Lord's work.

Sale Price	$10,000	
Less the Cost	$ 2,000	
Capital Gains	$ 8,000	
Taxable Gains (50%)	$ 4,000	
Tax on Gains (@ 50%)	$ 2,000	
Donation receipt		$10,000
Tax credit		$ 5,000
Less taxes owed		$ 2,000
Net tax savings		**$ 3,000**

Option 2: Donate the shares directly to the Lord's work.

Fair market value price	$10,000	
Less the cost	$ 2,000	
Capital Gains	$ 8,000	
Taxable Gains (1/2 of 50%)	$ 2,000	
Tax on Gains (50%)	$ 1,000	
Donation receipt		$10,000
Tax credit		$ 5,000
Less taxes owed		$ 1,000
Net tax savings		**$ 4,000**

How it works:



Donor pays tax
on 25% of capital gain
recognized

Note: Some churches and ministries may not be equipped to handle your gift of marketable securities. Please discuss the possibility well before attempting to make this donation.

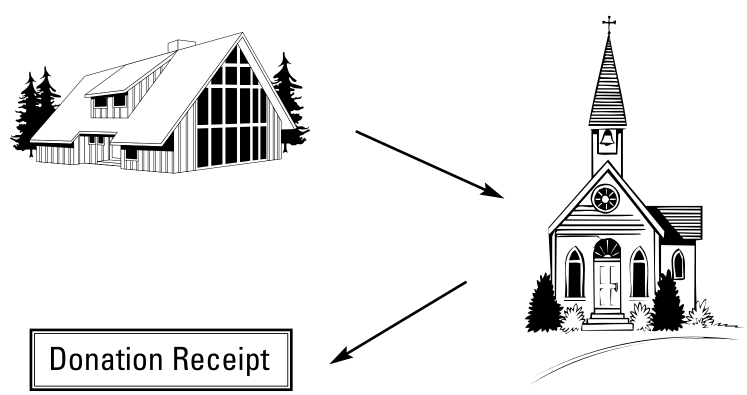
■ Gifts in kind

There are two primary types of gifts in kind that are available for donation. First is real estate. An individual would donate a piece of real estate to the ministry. This often works well when there is little need of the real estate by those who are included in the estate. It allows for the tax credits received to be used for other purposes by the donor. The receipt is issued at fair market value as determined by a qualified appraisal. It is advisable for the donor to secure his own appraisal as well as having the ministry obtain another independent appraisal. If the gift is the donor's principal residence, there is no capital gains tax to be considered. For other real estate, the normal 50% of the gain is taxable. However, usually the tax credit exceeds the tax on the gain, resulting in a net tax savings.

IN REAL LIFE:
The Rogers family purchased a cottage in 1962 for $10,000. The children have all moved away and are no longer interested in using or owning the cottage. An appraisal of the property determined its current fair market value to be $250,000. The Rogers have looked at their options and now believe they might want to donate it to their favorite ministry.

Tax on gain:		
Fair market value of cottage	$250,000	
Less the cost	$ 10,000	
Capital Gains	$240,000	
Taxable (50%)	$120,000	
Tax on gain (50%)	$ 60,000	
Net tax savings:		
Donation receipt		$250,000
Net credit		$125,000
Less the tax on gain		$ 60,000
Net tax savings		**$ 65,000**

How it works:



Donor pays tax on
50% of any capital gain

■ Outright Gift of Tangible Personal Property

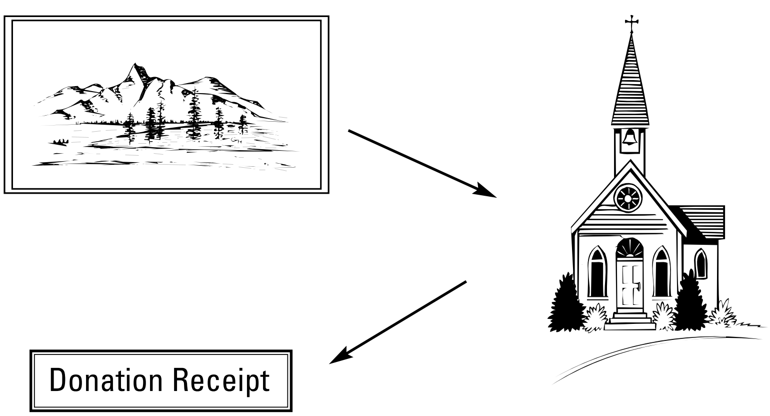
Tangible property includes artwork, books, household furnishings, automobiles, equipment, and collectibles. These often can be donated when it is believed that the intrinsic value or sale value can be beneficial to the ministry. For example, the donation of a vehicle would be something that has immediate use to certain ministries. You are able to receive a donation receipt for the fair market value of the item. Once again, we suggest for items over $1,000 that a qualified appraisal be obtained. As with property, the gain is taxable at 50%. However, the tax credit will exceed the tax on the gain, resulting in a net tax savings.

IN REAL LIFE:
Mrs. Knight owned a rare piece of art that she had decided to donate to the ministry of her choice. It was appraised at a value of $25,000 and she paid only $5,000 for it forty years ago.

Tax on gain:	
Art fair market value	$25,000
Less cost	$ 5,000
Capital Gain	$20,000
Taxable gain (50%)	$10,000
Tax on gain (50%)	$ 5,000

Net tax savings:	
Donation receipt	$25,000
Tax credit	$12,500
Less tax on gain	$ 5,000
Net tax savings	**$ 7,500**

How it works:



Donor pays tax on
50% of any capital gains

■ Gift of Current Life Insurance Policy

Many people today have small whole life insurance policies of $5,000 to $10,000 that were purchased many years ago. They were purchased usually to provide a death benefit at a time when $10,000 was considered significant, however they do not generally enter into estate plans. The donor is able to donate the policy by transferring the ownership to the ministry. The ministry will hold the policy until your passing at which time they will collect the face amount of the policy. In the meantime, the charity can access the cash surrender value (CSV) at any time, and at your passing would receive the face amount less the amount of the CSV they have already used. You will receive a tax receipt for the cash surrender value of the policy on the date of the transfer. Often the cash surrender value (CSV) will be close in value to the face amount.

IN REAL LIFE:
Sam Smith found, in a drawer, an insurance policy that he had purchased on himself in 1958 when he was newly married. He had forgotten that he owned it and had recently uncovered it. It had a face amount of $10,000 and to his surprise, it had a cash surrender value of $8,000. He was wondering what the impact would be if he were to donate it to his favorite ministry.

Cash surrender value	$8,000
Tax owed	- 0 -
Donation receipt	$8,000
Tax credit (50%)	**$4,000**

■ Gift of New Life Insurance Policy

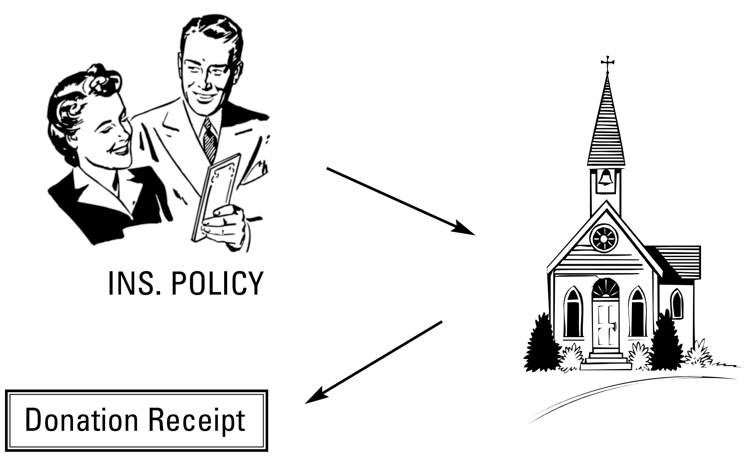
Some people prefer to ensure a specific amount is donated to the Lord's work regardless of the time of their passing. An effective method is purchasing a life insurance policy. One can apply and obtain a policy (whether term, whole life, or universal life) and upon acceptance, donate it to their ministry of choice. Upon transfer, the donor would continue to pay the premiums for as long as required by the policy. Each year, the ministry would provide a tax receipt for the amount paid in insurance premiums. At the passing of the donor, the proceeds of the life insurance flow directly to the ministry.

IN REAL LIFE:
Ernie and Sally Cook had decided to purchase an insurance policy and have it transferred to their favorite ministry. They had structured it so that, at the end of five (5) years, the policy would be fully paid. Their monthly premium was $200 and the face amount was $100,000 on a joint-last-to-die policy.

Monthly premium	$ 200
Annual premium	$2,400

Annual donation receipt (for 5 years)	$2,400
Less the tax credit (@ 50%)	$1,200
Actual annual cost (for 5 years)	$1,200
Amount paid on second death	**$100,000**

How it works:



Donation receipt for
each premium paid

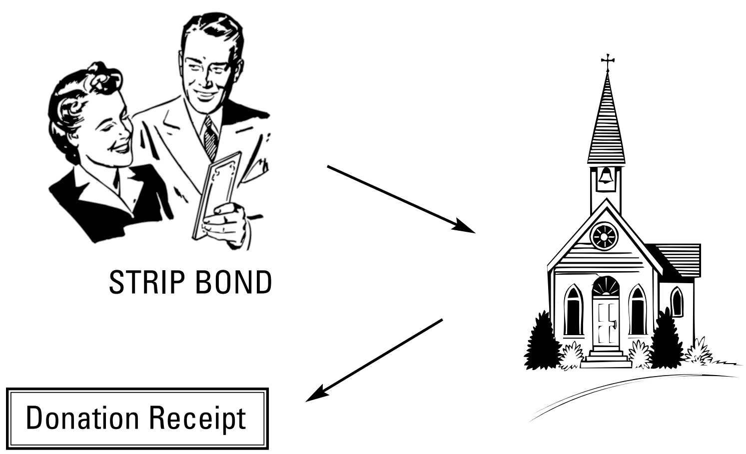
■ Gift of a Strip Bond

Some donors are interested in seeing their money work while they are alive. An easy and guaranteed way to do this is to purchase a strip bond (also called a zero coupon bond). These are corporate or government bonds that pay no interest and are sold at a discount for considerably less than their future redemption value. An individual who donates a strip bond receives a donation receipt for the fair market value on the date of the donation. The ministry normally would hold it for years and redeem it when it matures at much more than the initial cost.

IN REAL LIFE:
Mr. Low purchased a zero coupon bond and paid $25,000 for it. It will mature in 20 years at a face amount of $100,000.

Donation receipt	$25,000
Less tax credit (50%)	$12,500
Net cost of bond	$12,500
Value of bond, in 20 years, to ministry	**$100,000**

How it works:



■ Gift of Shareholder Loan

Many Christian business owners are interested in making a gift to the Lord's work, but face an interesting dilemma: from a resource standpoint, they would prefer to make a gift from their company's retained earnings but from a tax perspective, it makes more sense to make the gift personally. The corporate gift receives only a charitable donation; where the personal gift benefits far more from a tax credit.

Many business owners today have invested their personal money into their companies, especially during start up or expansion. Because of this, many small businesses have shareholder loans on their books.

First of all, the shareholder loan is converted to a promissory note, so that the shareholder holds a tangible document that can be gifted. Since it is their money in the first place, this attracts no taxation.

The note is then gifted to the charity of choice with an agreement that they will not sell it to a third party. (It may be prudent to assign a nominal interest rate on the note, paid annually.) The shareholder receives a charitable tax credit for the value of the note.

The company takes out an insurance policy on the life of the shareholder. The company is owner, depositor and beneficiary. At death, the proceeds pay into the company (tax free) and the company uses these funds to redeem the note. The charity now owns the capital. At all times the charity had the certainty of receiving the funds at a future date.

The company is also left with a credit in the capital dividend account, allowing retained earnings of equal value to pass out of the company on a tax-free basis. This has a real value of about one third, using dividend tax rates, or enough to offset the deposits to the insurance.

In Real Life:
Henry Sims was a 55 year old owner of a successful small business. He heard about using a shareholder loan to donate to his favorite ministry. He decided to donate $100,000 of the money his company owed him as a shareholder loan, by creating a promissory note with his company. The company then purchased life insurance on his life for $100,000. On his passing, the promissory note that was held by his favorite ministry would be redeemed by the business with the proceeds from the insurance. It would look something like this:

Personally	Shareholder Loan:	$100,000
	Donation Receipt:	$100,000
	Tax Credit:	($ 50,000)
	Net Cost to Donor	$ 50,000
Corporately	Cost of Insurance ($5,000 for 4 years):	$ 20,000
	(tax deductible premiums)	
	Proceeds of Insurance:	$100,000
	CDA Credit in Cash:	($ 33,000)
	Cost of Insurance:	$ 20,000
	Net Savings to Company	$ 13,000

Notes: Assumes no interest paid to charity of note
Has not taken into acccount tax savings from Cost of Insurance being tax deductible
Obtain tax advice to ensure applicability before proceeding

Gift Annuities

For many today, the stock market holds too much risk and volatility. However, low interest rates make it difficult to use fixed income instruments like GICs to produce a sufficient sum of income.

For some of these individuals, an Annuity would be a solution. How does it work? An annuity is simply a guaranteed series of payments. An individual purchases an annuity by paying a lump sum of money to a financial institution (usually a life insurance company) which, in turn agrees to pay back a series of equal payments to the individual (annuitant). The sum of the payments received by the individual is expected to be greater than the initial amount given to the insurance company because each payment consists of a portion of both the principal and the interest earned on the remainder, which has been invested.

The amount an individual receives for each payment is determined by a number of factors:

a) length of time during which payments will continue (usually for life);
b) anticipated life expectancy (age and gender of the individual);
c) anticipated return on the funds invested.

The company is diligent to ensure accurate projections because the payments are guaranteed for the life of the contract.

A major advantage of annuities is the favorable tax treatment that is received (this is based on a prescribed annuity). Since much of the payment received is considered return of principal, the net taxable amount is usually quite small.

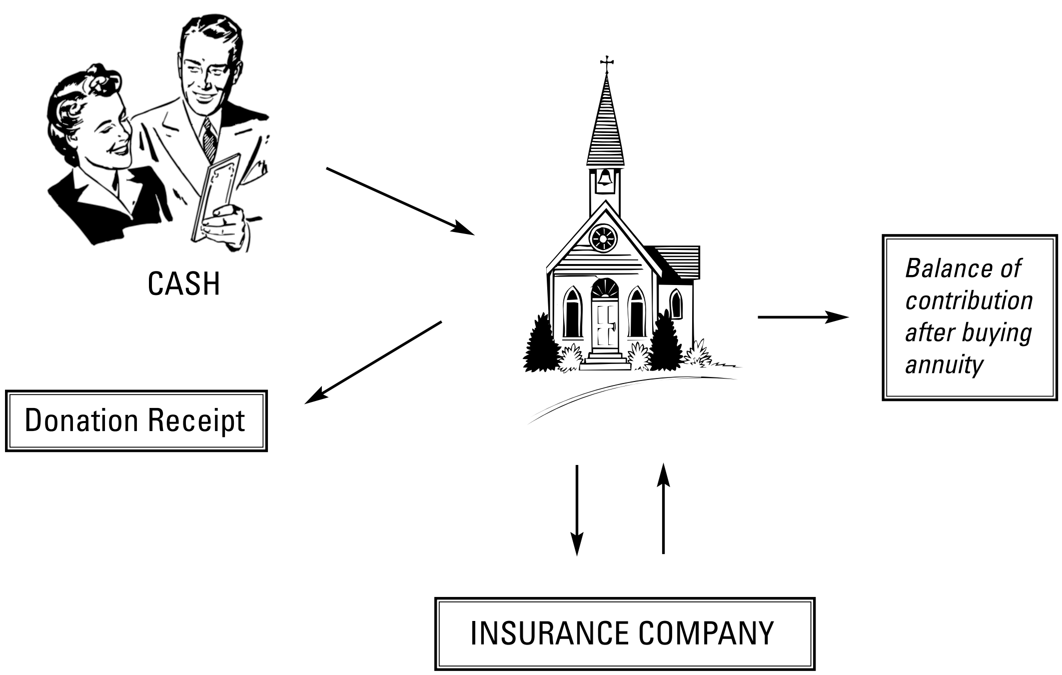
Note: An annuity can be purchased on the lives of a couple and provide income until the passing of the surviving spouse.

■ How does this differ from a 'Gift Annuity'?

A gift annuity differs in that the initial lump sum amount of money is given to the ministry. The money is actually comprised of two parts: one part is an amount that will be used by the ministry to purchase an annuity from an insurance company. The second part becomes a gift to the ministry. The key advantage is that often the total amount of the payments received by the annuitant are totally or almost totally tax-free with a gift being made to the ministry.

IN REAL LIFE:
Melba and Joseph Singer, aged 75 and 73, contributed $50,000 to the ministry of their choice for a gift annuity, naming themselves as joint annuitants. As long as either of them is alive, they will receive $267 per month (an annuity rate of 6.4%). Of this amount, almost all of it (96%) will be tax free. Since their other income places them in the highest tax rate (almost 50%), a fully taxable investment would have to yield over 12% to provide payments of equivalent after-tax value.

How it works:



DEFERRED GIFTS

Some gifts provide immediate benefit to the donor and sometimes even to the ministry. However, often the gifts that have the most significant impact are those that are deferred until a future date, usually at a point after the passing of the donor.

Most individuals have a greater capacity to give at their passing than during their life. Many who could afford to surrender capital while alive hesitate to do so because they fear their circumstances might change in the future or they simply don't want to lose control.

For many today, these 'Deferred Gifts' will allow them to significantly benefit the Lord's work and usually will have significant tax advantages to the estate of the individual.

■ Bequests

For many Christians today, the first step toward ensuring that their wishes and desires for "deferred giving" are clearly laid out is a complete and up-to-date will. Making a will is something we all know we should do but often put aside until it is too late. Sometimes, we begin the process but don't finish it and other times, the will is written but not signed.

Yet bequests are the largest single method by which people leave monetary gifts to the Lord's work. There are four times as many dollars left through bequests than through all other kinds of deferred giving.

If you have no will, you forfeit the right to choose how your property will be distributed. The court will decide who administers your estate and the distribution of assets in accordance with pre-existing provincial law. That means, for example, that you might have wanted your children to receive your property only after your spouse's death. However, provincial law often gives them a fraction of your property now. You may have had special wishes to leave legacies to special friends or family or the Lord's work. These will usually not be accommodated by a provincially-appointed executor.

In making a will, you exercise your fundamental right and obligation in the last act of being a good steward of the financial resources which God has entrusted to you over your lifetime. However, if your will is not part of your plans, your wishes could be frustrated – even to the extent of disinheriting those you want to help.

If having a complete and up-to-date will is so important, why do many never complete their will? Unfortunately for some, the idea of discussing their estate and therefore their mortality is unsettling. Some couples believe that since they hold all of their major assets in joint tenancy, a will is unnecessary. They overlook the fact that they could die together in a car accident, for example, so there would be no provisions for disposition of their assets.

Others think that their estate is too small to worry about. Yet, a summation of their net worth including their home, investments, furnishings, RRSP's / RRIF's, life insurance, government benefits, etc. can often be considerable.

Regardless of your personal situation, it is imperative to have an up-to-date and signed will. It is strongly suggested that a qualified lawyer who is an estate specialist be used to complete this important task.

As one is considering the inclusion of the Lord's work as part of his/her estate, there are three major types of bequests one can have.

The first is a ***specific bequest***, or leaving a specific gift. For example, one might say that the shares in XYZ Company are left to a favorite ministry as a specific bequest.

Second is a ***residual bequest.*** This is a gift comprised of all or a fraction of whatever remains after all debts, taxes and other expenses have been paid.

Third is a ***contingent bequest.*** This occurs only if the donor's primary intention cannot be met. This often occurs when the primary beneficiary does not survive the donor.

By properly planning your will, you are able to effectively distribute what you have amassed, while avoiding paying unnecessary taxes. These taxes fall into a variety of categories including income and probate taxes.

It is imperative that your will is kept up-to-date. Changes will be needed when there is a material change in your family situation (marital status changes of family members, additional children/grandchildren), or a change in your executor. At a minimum, it is suggested that your will be reviewed every three to five years.

Along with your will, you should keep detailed records of all personal information including bank accounts, safety deposit boxes, insurance policies, real estate, jewelry, and other personal affects. This will make it easier for the executor to be able to clearly and completely execute your wishes as it relates to these items.

IN REAL LIFE:
Mr. Samuel left $100,000 to his local church. He had RRIF's and other investments that caused his terminal tax return to be $250,000.

Bequest	$100,000
Tax credit (50%)	$ 50,000
Net cost to heirs	**$ 50,000**

■ Gift of Residual Interest

Some people are willing to donate a residence; however, they often want to retain possession during their life. This is considered a "Gift of Residual Interest".

A residual interest in real estate or artwork is given through a provincially acceptable deed or indenture, specifying the life interest or term of the gift.

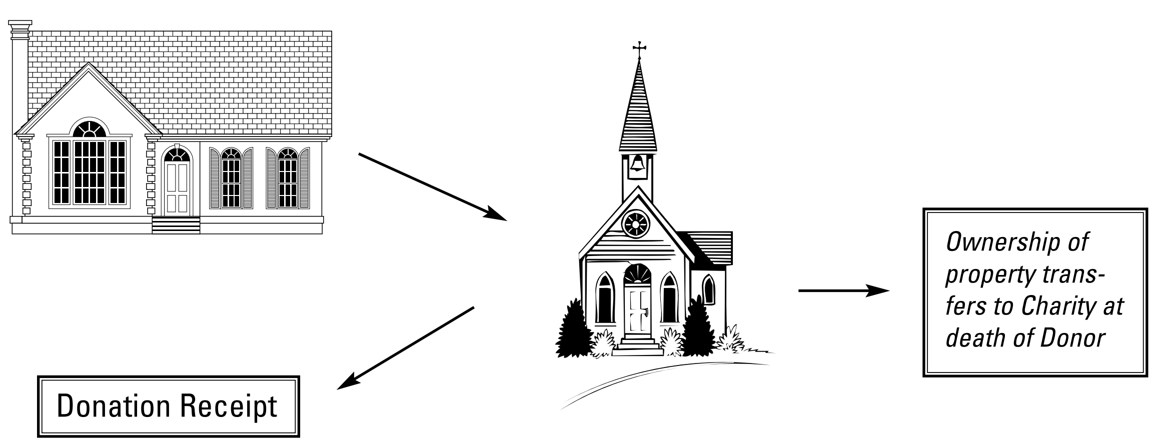
Why do this? It allows you to obtain a donation receipt for the present value of the residual interest. As well, the donor is given unencumbered use of the item during his lifetime. The charity benefits because it knows it will receive the item at some future point in time and is then able to use or sell it as it deems.

IN REAL LIFE:
Mrs. Simpson is a 75 year old widow. She has no family and has few material assets beyond her house. She has a large tax bill (projected at $40,000) from the last of the stocks that she recently sold.

She decided to gift her house as a "Residual Interest Gift" to her favorite ministry. This allowed her to know that her home would ultimately benefit the Lord's work while providing her some immediate tax relief.

Appraised present value of home	$100,000
Tax credit (50%)	$ 50,000
Projected tax bill (sale of stock)	$ 40,000
Tax credit available for future years	**$ 10,000**

How it works:



Donor pays no tax on gain
if principal residence.

- **Gift of a Charitable Remainder Trust**

Similar to a Gift of Residual Interest, a Charitable Remainder Trust allows the donor to continue to receive the income for their lifetime. The donor recognizes only the capital gain attributed to the remainder interest when the appreciated property is transferred to the Trust. It also allows the donor to receive a donation receipt for the present value of the remainder interest.

The donor creates a trust funded with cash securities or real estate, making an irrevocable gift of the remainder interest to a ministry and retaining the income interest for the life of the donor and for other beneficiaries, or for a period of years. No encroachment on principal is permitted.

The trustee can be a trust company, an individual named by the donor, or the charitable beneficiary if it is authorized. The trust is established through the execution of a trust agreement signed by the donor and the trustee.

IMPORTANT INFORMATION:

Throughout this booklet we refer to donation receipts producing a 50% tax credit. Currently the highest tax credit is slightly below 50%. The amount of the tax credit is determined by your taxable income. We have used 50% as an example only. Please contact your financial advisor for a more detailed analysis of your marginal tax rate.

For many today, the most tax efficient strategy will be to use the tax credit received over a number of years. Some can use it for previous tax returns, while everyone can use it into the future. Please contact your financial advisor for a complete evaluation of the most tax effective use of your tax credit.

Throughout this booklet, we refer to a donation to a ministry. Please ensure a ministry is able to provide you with the necessary donation receipt. A ministry needs to be recognized as a registered charity by Canada Customs and Revenue Agency (CCRA), formally Revenue Canada, to be eligible to issue donation receipts that are acceptable by CCRA for tax purposes. If there is doubt, ensure that the ministry is able to produce a donation receipt on which is clearly stated the Charity number.

RECEIVING ADVICE

Many people today consider themselves able to provide advice on investments, insurance, financial, retirement, tax, and estate planning issues. Unfortunately, many are not truly qualified. Currently, it is very easy for someone to call himself/herself a 'Financial Advisor' or an 'Insurance Advisor' and have little education or experience to allow them to meet your specific needs. Be careful.

Here are some tips when trying to ensure your current or future Advisor is truly able to meet your needs:

1. Most importantly, ensure he/she shares your Biblical view of giving to the Lord's work. Many advisors today (including Christian advisors) do not see a Biblical imperative for us to be good stewards as it relates to our estate.

2. Ensure they have adequate educational qualifications. Although not always a clear indicator, you should find an advisor who is staying current with training. The most widely held educational designation is the Certified Financial Planner (CFP). This allows you to have a degree of confidence that the advisor has a certified financial planning degree. Other designations to look for include the CLU, which is the insurance industry's related designation, as well as other accounting and related designations.

3. Check their references. One of the best ways to determine an advisor's credibility is to talk with others who have similar situations as you who currently work with the advisor:
   –Was he/she able to determine the clients' objectives?
   –Was he/she able to understand the issues?
   –Was he/she able to provide adequate solutions?
   –Has his/her support been superior?

All of these will help you understand the advisor's ability to meet your needs.

Choosing an advisor is an important part of this process. It is unwise to try to understand and resolve these issues without professional advice. May the Lord guide you as you choose your advisor!

So What Does It All Mean?

For many readers, the material thus far, although informative, will seem academic. What does it really mean? We all agree that we need and want to be good stewards. We realize that this extends even to our legacy and our estate. We also all want to reduce the tax burden that will generally be a major part of our estate.

There is good news! The ability to be a good steward allows us to take advantage of various tax credits that reduce our taxes either now or as part of our "terminal" or final tax bill.

In reality this means that you can leave money to advance the Lord's work and, through proper planning, the amount to children/family is not significantly diminished, if at all.

We will spend some time now giving real life examples that may help you to see what you could do in your specific situation.

REAL LIFE EXAMPLES THAT HAVE AN IMMEDIATE IMPACT ON A MINISTRY

Stocks

Mrs. Jonas was surprised when she opened a seldom used drawer of her deceased husband's desk and found 500 share certificates of ABC Company. They meant little to her, but she immediately phoned her financial advisor and asked her the implications of her new found wealth. Since she didn't need the proceeds from these shares, she decided she would give the money from these shares to the Lord's work. Her advisor said that while she had two major choices, one was more advantageous to her.

Option 1: Sell the shares and donate the after-tax profits

	Total value	
Shares of ABC were worth $50 each	$25,000	
Adjusted Cost Base (price her husband paid)	$10,000	
Capital Gains	$15,000	
Taxable Capital Gains (50%)	$ 7,500	
Taxes Owed (50%)	$ 3,750	
Donation Receipt		$25,000
Donation Credit		$12,500
Less taxes owed		$ 3,750
Net Tax Savings		**$ 8,750**

Option 2: Donate the shares to the Ministry

	Total value	
Shares of ABC were worth $50 each	$25,000.	
Adjusted Cost Base (price her husband paid)	$10,000	
Capital Gains	$15,000.	
Taxable Capital Gains (1/2 of 50%)	$ 3,750	
Taxes Owed (50%)	$ 1,875	
Donation Receipt		$25,000
Donation Credit		$12,500
Less taxes owed		$ 1,875
Net Tax Savings		**$10,625**

Donation of Land

Mr. and Mrs. Samuelson are both 65 years old with no living immediate family members. They have significant income and plan to leave a piece of prime retirement property to two nieces. Their challenge is that the two nieces live at opposite ends of the country and rarely come to the Samuelsons' in Ontario. They phone their financial advisor to see what options are available to benefit the nieces while hopefully being able to benefit the Lord's work as well.

The advisor's response is of great interest. Simply put, he suggests they donate the land to the Lord's work and use the tax credit received from the donation to offset taxes. The money they save on their taxes is used to purchase an insurance policy on their lives, naming the two nieces as the beneficiaries. Therefore, on the Samuelsons' passing, the nieces will receive a tax-free cheque and not be worried about having to sell property and deal with the related estate issues.

Gift of Land	$1,000,000
Charitable Tax Credit	$1,000,000
Tax savings on Tax Credit	$ 500,000
Adjusted Cost Base (price paid for the property)	$ 500,000
Taxable Gains (50%)	$ 250,000
Taxes Owed (50%)	$ 125,000
Tax Savings	$ 375,000
Cost of insurance program over 5 years	$ 250,000
Tax Savings left	$ 125,000

The insurance proceeds shared by the nieces on the passing of Mr. and Mrs. Samuelson equals $1,443,000.

Not only does the Lord's work get the property now to be used or sold; the Samuelsons are able to see their property benefiting the Lord's work. Also, they can appreciate their tax bill being reduced by $125,000 while still being able to leave more than expected (by 40%) to their nieces. Imagine the surprise when their nieces receive cheques equaling more than $1,400,000!

Giving it away – now or later

Mrs. Simpson, aged 65, had $100,000 in her will to be left to her good friend, Mrs. Taylor. Mrs. Taylor had been a blessing to Mrs. Simpson, especially in recent years. Mrs. Simpson also wanted to do as much as she could to help the Lord's work and phoned her financial advisor.

She was surprised to hear her answer. "Why not give it away? Then we can use the donation receipt to offset the cost of an insurance policy that will pay Mrs. Taylor the money you had planned to leave her as part of your estate."

"How does that work?" questioned Mrs. Simpson. "Simply put," said her advisor, "we donate the $100,000 to your favorite ministry and use the $50,000 tax credit to purchase a life insurance policy that is paid up in four years. The total payment for the policy is $50,000 over the four years. On your passing, your friend will receive $135,000.00."

Amount given to Ministry	$100,000
Donation receipt	$100,000
Tax credit	$ 50,000
Life Insurance Policy	
Total premiums paid by Mrs. Simpson	$ 50,000
(paid up over four years)	

Mrs. Simpson will leave more to her friend tax-free and probate-free than she planned and is able to help the Lord's work now.

Gift Annuities

Mr. Cook, age 78, had invested risk-free in GICs. He had always been able to live off the interest on his GICs, however in recent times, as interest rates had fallen, he was starting to use his principle. Since he was leaving most of his estate to the Lord's work he was hoping not to touch the principle. He thought he had better phone his financial advisor.

"What would you think if you were to give your favorite ministry $100,000 and they purchased a life annuity based on your life to provide you with $7,000 per year, tax-free for the rest of your life?" His advisor asked, "That sounds too good to be true," Mr. Cook lamented. "If it's true, I am interested."

"I'll make it even better," the advisor said, "How would you like to obtain a tax receipt as well … "

Amount given to Ministry *	$100,000
Annual tax free payment	$ 7,000
Charitable Receipt **	$ 30,000

* The ministry uses some of these funds to purchase a life annuity on Mr. Cook's life (based on age, gender and marital status) to provide annual payments. The balance available for use by the ministry is $27,000

** Mr. Cook was able to take a small amount of his estate, receive a significant tax-free payment and use the $30,000 tax credit to offset other taxes.

Giving Away the Cottage Tax

Mr. and Mrs. Kompton, a 65-year old couple, are beginning to think about their estate. One of their prized family treasures was the cottage that had been in their family for many, many years. It held many memories for them, their children, and their grandchildren. They felt proud that they had left the cottage to their children to be carried on through the family tradition. They were shocked when a friend informed them that there would be serious tax consequences to their estate for the taxes on the cottage if it was 'given' to the children.

They immediately phoned their financial advisor for clarification. "You mean there are taxes on the cottage, even if we give it to the children?" they asked. "That's right," their advisor said. "It is just as though you sold it at the fair market value one minute before you died."

"What does all this mean?" queried the Komptons. "Is there anything we can do?"

"Why not give the cottage tax away to the Lord's work, and give the children the cottage without any taxes," their advisor asked. The Komptons were very interested.

Cottage current value	$200,000
Cottage value estimated in twenty years	
(assuming 5% annual growth)	$530,000
Adjusted Cost Base (what was paid for the cottage)	<u>$130,000</u>
Projected Capital Gains	$400,000
Projected Taxable Capital Gains (50%)	$200,000
Projected Tax bill (50%)	$100,000

"We purchase a life insurance policy on Mr. and Mrs. Kompton in the amount of $200,000 with their favorite ministries as the beneficiary."

Life Insurance face amount		$200,000
Annual cost of life insurance	$ 11,000	
Payment period	3 years	
Total Cost	$ 33,000	
Donation receipt		$200,000
Tax credit		**$100,000**

"The $100,000 tax credit from the $200,000 life insurance policy offsets the projected taxes owed on the cottage. The cottage is able to pass to the children with the taxes already cared for and a major gift goes to the Lord's work."

Giving Away the Tax on our RRIFs

Mr. and Mrs. Zupta, aged 69, have recently retired and are looking forward to retirement. They have worked hard to save as much as they can for their retirement and have been able to put away some money in their RRSPs. They had decided to leave all of the property, which was extensive, to their two children and whatever was left in the investments was directed to the Lord's work. They only wished they could do more.

"Maybe you can," said their financial advisor. "Maybe you should take more money out of your RRIF than you need." "But then I'll have to pay more taxes. I don't want to pay any more than I have to," replied Mr. Zupta.

"Let's say for example, you determined that you had an additional $100,000 in your RRIF that you didn't need for your ongoing needs. Most people would simply take the minimum payments out over the rest of their lives, paying the lowest tax possible. "The problem is that you then leave it to your estate. All of it (100%) is taxable income therefore more of your RRIF income goes to Ottawa than any other beneficiary.

"For example: If we took out the minimum payments (assuming 9% growth), it would look like this:

Total Income from RRIF (taken over 16 years):	$130,000	
Tax on Income:	$ 65,000	
Funds Available for Ministry during lifetime:		$ 65,000
RRIF capital left at Statistical Mortality:	$100,000	
Taxes to Estate:	$ 50,000	
Net balance of estate for the Lord's work:		$ 50,000
Total amount available for Lord's work:		$115,000

"Let's say we took it out over 6 years and used those funds to purchase a larger estate amount for the Lord's work. For example:

Total Income (taken over 16 years):	$120,000	
Tax on Income:	$ 60,000	
Net Available:		$ 60,000
RRIF capital left at Statistical Mortality:	$ -0-	
Taxes to Estate:	$ -0-	
Net Balance left to Estate for the Lord's work:		$300,000

"How did we get $300,000? By reallocating the after tax RRIF amount into an insurance strategy we are able to see the amount left to the Lord's Work more than double. Along with that, the estate receives a much larger tax receipt of $300,000 that can be used to offset the other taxes."

The information in this booklet does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice. You should always seek professional legal, financial, and estate planning advice before deciding on any strategy.

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Canadian Christian Steward

Canadian Christian Steward is a ministry designed to help Christians be good stewards of all with which God has blessed them.

Led by Michael Nichols who has more than 15 years experience in the financial field, we are committed to share the truth and practical relevance of God's Word, related to finances and stewardship, while encouraging God's people about His desire to meet their needs.

Our primary aim is to equip believers with knowledge about their financial responsibilities in order to become better stewards of the gifts bestowed on them by God.

To obtain more information about maximizing your effectiveness as a good steward, please contact:

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