

A FLEXIBLE SOLUTION TO LEAVE A LEGACY Case Study: Solution 100®

Meet Sylvia

Sylvia is 45 years old, healthy and doesn't smoke. Having lost her mother when she was in her 20s to breast cancer, she supports a variety of cancer related charities.

She also has two daughters and wants to ensure that regardless of when she passes away, she is able to leave a legacy for them through an inheritance.

Not knowing what to do, she reaches out to her advisor for help.

Meeting with her advisor, they determine the following information:



Looking to leave a legacy to her favourite charity and her children



Has \$78,161 payable in taxes when she passes away



Monthly budget of \$300 available

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Needs a solution that is flexible







- She is on track to retire by the age of 65 through a combination of her work sponsored and individual Registered Retirement Savings Plans (RRSP)
- Her advisor determined that she may have around \$223,000 left in her registered investments at her approximate life expectancy of age 85, resulting in \$78,161 in taxes being payable at that time¹
- Permanent life insurance may be a way to meet her two objectives: Leave a legacy to her favourite charity and an inheritance for her daughters
- Because she lives in Ontario, the charitable donation tax credit is 40.16% (29% Federal, 11.16% Provincial) and the advisor explains that in the year she passes away, 100% of her charitable donations can be used to offset her net income²
- She has approximately \$300 of disposable income per month available, but would like flexibility in case her situation was to change in the future

¹This assumes she has no other taxable income in the year she passes away and an average tax rate of 35.05% ² Government of Canada, P113 Gifts and Income Tax 2022, Gifts in the year of death

Determining the right solution

Solution 100 life insurance policy naming a charity and her two daughters as the beneficiaries



- Monthly premium of \$295.02
- Premiums payable until age 100
- Beneficiaries designated as follows:
 - Charity: 65%
 - Daughters: 35%
- Assumes no policy loans or collateral assignments on the policy

Benefit of life insurance at time of claim



Life insurance benefit to the charity

\$195,000

Life insurance benefit to the daughters

\$105,000

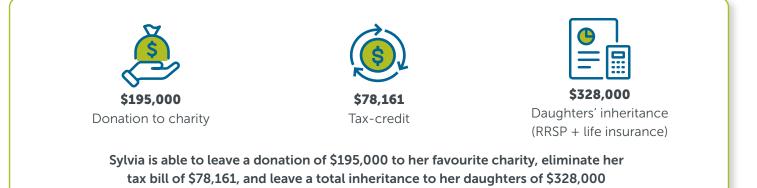
Tax benefit to the estate

\$78,161

Breakdown of all benefits to the estate

- Charitable tax credit from \$195,000 donation \$78,312³
- Approximate tax payable on RRSP of \$223,000 \$78,161
- Total tax payable once the tax credit is applied \$0.00
- Total inheritance to the daughters from the RRSP \$223,000

Putting it all together



³ Based on a charitable donation tax credit of 40.16%, and assumes donations are above \$200 and the owner will have sufficient income to utilize tax credit. Maximum tax credit cannot be more than tax payable.

What if Sylvia's situation changes?

If Sylvia can no longer afford the premium when she retires at age 65, she could elect the reduced Paid-Up Option (RPU):



Stops making payments



Maintains \$194,933 of paid-up life insurance



Maintains access to \$67,197 of cash value

Benefit of the reduced paid-up life insurance at time of claim



Life insurance benefit to the charity \$126,706

Life insurance benefit to the daughters \$68,227

Tax benefit to the estate

\$50,885

Breakdown of all benefits to the estate

- Charitable tax credit from \$126,706 donation \$50,885⁴
- Approximate tax payable on RRSP of \$223,000 \$78,161
- Total tax payable once the tax credit is applied \$27,276
- Total inheritance to the daughters from the RRSP \$195,724

Putting it all together



⁴ Based on a charitable donation tax credit of 40.16%, and assumes donations are above \$200 and the owner will have sufficient income to utilize tax credits

Solution 100 provides Sylvia with a solution that meets her objectives and offers flexibility in case her situation changes in the future.

To learn more about our Non-Participating Permanent Life Insurance plans, contact your regional sales representative or our sales centre at 1 866 894-6182

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