# 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
- 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 time[1]
- 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 income[2]
- She has approximately $300 of disposable income per month available, but would like flexibility in case her situation was to change in the future

[1] This 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

**Solution 100**

Non-Participating Permanent Life Insurance

**$300,000**
at issue

- **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
  $78,312[3]
- 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

**$195,000**
Donation to charity

**$78,161**
Tax-credit

**$328,000**
Daughters' inheritance
(RRSP + life insurance)

**Sylvia is able to leave a donation of $195,000 to her favourite charity, eliminate her tax bill of $78,161, and leave a total inheritance to her daughters of $328,000**

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
  $50,885[4]
- 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

**$126,706**
Donation to charity

**$50,885**
Tax-credit

**$263,951**
Daughters' inheritance (RRSP + life insurance)

**After electing RPU, Sylvia is still able to leave a donation of $126,706 to her favourite charity, reduce her tax bill by $50,885, and leave a total inheritance to her daughters of $263,951**

[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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