

# DIVERTING TAX DOLLARS TO CHARITY

A tax-effective  
method for  
recovering tax  
dollars for your  
beneficiaries



**Empire  
Life™**

## Challenge

- RRSP/RRIF money is deemed disposed and therefore included as income in year of death
- Spousal rollover is available to defer the deemed disposition until the later death of two spouses
- If no rollover, almost half of the RRSP/RRIF money may be lost to taxes

## Opportunity

- Donations to charity entitle the donor to a credit against taxes payable
- The credit in the year of death is equal to 100% of net income
- The tax money is diverted to the charity while preserving the estate entitlement of the children

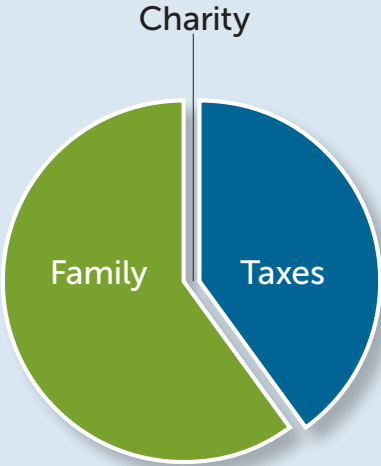
## Candidate

- Planning for a single senior, or the last death of two spouses
- RRSP/RRIF holdings expected to be remaining at the last death
- Children (or other beneficiaries after the other spouse) have been named as residual beneficiaries of the RRSP/RRIF money (or it may be flowing to them through the estate)
- Candidate would like to provide support to a favoured charity

## Strategy

- Name the charity as RRSP/RRIF beneficiary
- The terminal charitable tax credit will eliminate the tax otherwise payable by the estate on the deemed disposition of the RRSP/RRIF
- In anticipation of the tax savings, a life insurance policy can be purchased presently that will replace and potentially exceed the RRSP/RRIF proceeds that would have otherwise been realized.

**Unplanned maturity:  
\$250K RRSP/RRIF\***



\*Assumes a 40% marginal tax rate at death

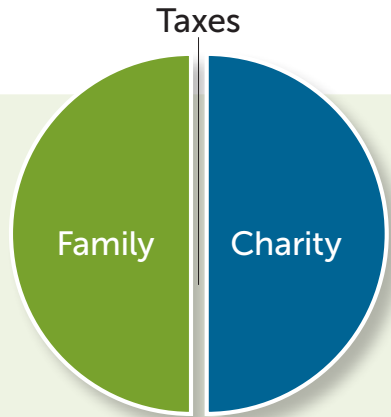
**Diverting tax dollars  
to charity**

Candidate buys life insurance.....	\$250K
Candidate bequeaths RRIF to charity .....	\$250K
Charity issues receipt at death.....	\$250K
Tax receipt generates tax credit .....	\$100K
Tax payable on RRIF after tax credit .....	ZERO

**Excess benefit realized  
from planning strategy**

**\$100,000** more to family  
beneficiaries

**\$250,000** more to  
charitable beneficiary



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<sup>1</sup> *Financial Post Magazine*, June 2010, based on revenue

<sup>2</sup> As at June 22, 2011

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