



Gifts using life insurance

As part of estate planning, life insurance can be used to make a large gift to the BC Cancer Foundation for a relatively small cost to you and, at the same time, you can realize tax benefits. There are several ways to make a gift using life insurance. Deciding which method is best for you will depend on your circumstances and needs.

1. Paid-up life insurance policy

a. Why choose this type of gift?

You may be interested in donating a paid-up life insurance policy if you purchased a life insurance policy many years ago and it is now paid off. Your reasons for purchasing life insurance in the past may have included providing family protection when your family was young or backing a loan taken to start a new business. Now those reasons for purchasing the policy may no longer exist, and your life insurance policy is an idle asset. You can use this asset to make a gift to the BC Cancer Foundation by simply transferring the policy.

b. Tax savings

Transferring ownership of a paid-up policy to the BC Cancer Foundation will result in an immediate tax receipt to you for the fair market value of the policy at the time it is transferred. You can use the tax receipt to offset up to 75% of your income from any source in the year when the ownership of the policy is transferred to the BC Cancer Foundation. Any excess tax credit can be carried forward for five years.

2. Life insurance policy with premiums still payable

a. Why choose this type of gift?

You may be interested in donating a life insurance policy with premiums still payable if you are between 30 and 60 years old, are insurable, you would like to make a large gift to the BC Cancer Foundation and you require tax credits during your life time rather than for your estate. You either do not have a large amount of capital available or you have some capital available but would like to leverage it to make a larger gift, as well as to maximize your tax savings.

There are three ways to make this type of gift:

- i. You establish a life insurance policy on your life and then transfer the ownership of the policy to the BC Cancer Foundation and also designate the Foundation as the registered beneficiary of the policy. Then you pay the premiums as they become due;
- ii. You establish a life insurance policy on your life and then transfer the ownership of the policy to the BC Cancer Foundation and also designate the Foundation as the registered beneficiary of the policy. Then you pay off the policy through a one-time payment or through payments over a maximum of five years. You will receive tax receipts for these payments;
- iii. If you already have a policy and premiums are still payable, you can transfer the ownership of the policy to the BC Cancer Foundation and also designate the Foundation as the beneficiary. Then you continue to pay the premiums and you will receive tax receipts for these payments.

b. Tax savings

In the case of a new policy with premiums payable into the future, you are entitled to a tax receipt for the amount of the insurance policy premiums when you pay them. If you have an existing policy with premiums still payable, you are also entitled to an immediate tax receipt for the fair market value of the policy at the time it is transferred to the BC Cancer Foundation, net of any future premium payments. In the case of a new policy that you pay off, you are entitled to a tax receipt for the amount used to pay off the policy.

You can use the tax receipt to offset up to 75% of your income from any source in the year when the ownership of the policy is transferred to the Foundation. Any excess tax credit can be carried forward for five years. Please note that a tax receipt may only be issued if the policy ownership has been transferred to the BC Cancer Foundation and the Foundation has also been designated as the registered beneficiary. If the policy only designates the BC Cancer Foundation as the beneficiary, a tax receipt will only be issued to the estate when the policy proceeds are received by the Foundation.

In the case of a new policy that you would like to pay off, if the capital that you would like to use to pay up the policy is in the form of appreciated publicly traded securities, you can also realize tax savings on the capital gain. Please see the enclosed page entitled *Gifts of publicly listed securities* for more information on the tax implications of such a gift.

3. Wealth Replacement

a. Why choose this type of gift?

If you have capital assets available but you are concerned that making a major gift will diminish the assets that will ultimately go to your family, the wealth replacement strategy may be of interest to you. This is a gift arrangement whereby you make a gift to the BC Cancer Foundation from your capital and use the resulting tax savings to pay the premiums on a life insurance policy on your life that will pay the proceeds to your family members. Depending on your age and your state of health, it may be possible that the tax savings entirely cover the cost of the premiums payable on the life insurance policy.

b. Tax savings

If you make a gift to the BC Cancer Foundation from your existing capital, you are entitled to a tax receipt for the amount of the gift and can claim it in the year the gift is made, up to a maximum of 75% of your income plus 25% of the capital gain. Please see the enclosed page entitled *Gifts of publicly listed securities* to learn the tax implications of donating securities rather than cash. Any donations that you do not claim in the year of the gift can be carried forward for up to five years.

For more information and to speak to someone personally and confidentially about making a gift, please contact:

BC Cancer Foundation Provincial Office:

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Senior Director, Planned Giving
Phone: 604.877.6157
Fax: 604.877.6161
Toll free: 1.888.906.2873
Email: izabava@bccancer.bc.ca

For information about the BC Cancer Agency centre closest to you, please contact:

BC Cancer Foundation Regional Offices:

Abbotsford

Toll free: 1.877.751.0111

Fraser Valley

Toll free: 1.866.232.9974

Southern Interior

Toll free: 1.866.230.9988

Vancouver Island

Victoria – Toll free: 1.866.519.5550
Nanaimo – Phone: 250.729.8869

The above information is general in nature and is not legal or tax advice. We can help you realize your wish to support cancer research and care in British Columbia by working with you and your financial and legal professional advisors.