Assumption
FOUNDATION

GUIDE TO PLANNED GIVING

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Planned Giving:
A lasting contribution to the education of our youth

Since the early 1900s, Assumption Life has helped promote the education of young Acadians and encouraged them to pursue higher learning.

In the early days of *Société l'Assomption*, the *Caisse Écolière* scholarship fund, to which members were required to contribute, provided financial assistance to further the education of academically gifted youth. In 1919, the *Caisse Universitaire* was established, funded by donations, and provided loans to students. In 1979, the *Caisse Universitaire* became the Assumption Foundation, awarding scholarships to students and endowments to academic institutions. To date, it has awarded more than $4 million in academic scholarships and endowments.

The Foundation believes it is important to establish sustainable sources of funding to help as many young Canadians as possible continue their post-secondary education and thereby ensure the economic, social and academic development of the communities we serve all across Canada.

This *Guide to Planned Giving* presents the easiest, most enduring way for you to invest in the future of our youth.

What is a planned gift?

A planned gift is the outcome of a process aimed at making a charitable donation, now or at some time in the future. Generally speaking, a planned gift is an arrangement made today to make a donation at some future date, and usually takes the form of a provision in a will.

Planned gifts are derived from assets rather than from disposable income. They include bequests, gifts of life insurance proceeds, annuities, shares and mutual funds. The reason behind a planned gift lies more in the donor's personal, financial and philanthropic objectives than in its monetary value.

Why make a planned gift?

You can make a gift in two ways: during your lifetime or through your estate. The process of planning a gift allows you to maximize the benefits while minimizing the impact on your estate, and at the same time meet your expectations and goals.

You can make a planned gift for any number of reasons. These vary from person to person:

- To take advantage of the tax benefits
- To immortalize your name or the name of a loved one
- To reduce the tax burden on your estate
- To express your philanthropic convictions by supporting an important cause

The reasons may also be entirely altruistic:

- To contribute to the education of our youth
- To do something that will have a lasting impact
- To give back to the community
- To improve the standard of living in your community
- To ensure the long-term survival of a cause you hold dear

Contributing to the Assumption Foundation

Every year, the Assumption Foundation awards at least 13 scholarships of up to $10,000. Some scholarships are awarded on the basis of a student's academic achievement, while others are awarded based on financial need. Any Canadian resident who meets the eligibility criteria may be considered to receive one of our scholarships. For more information about each of these, please consult our Web site, at www.assumption.ca.

The Foundation is funded by donations, loans, bequests and other means. The interest generated on the principal is used to provide scholarships for postsecondary education and further professional training.

You can make a planned gift to our foundation in a number of ways:

- By making a monetary gift or bequest
- By creating a scholarship in your name
- By naming the Assumption Foundation as the beneficiary on an existing policy
- By purchasing a new insurance policy with the Assumption Foundation as the beneficiary
- By transferring an RRSP, an RRIF or securities to the Assumption Foundation

The following sections of this guide will explain some of the aspects of planned giving and simplify the process of making a lasting contribution to the Foundation.

We recommend, however, that you consult qualified professionals (financial planners, notaries, lawyers, accountants, etc.) to gain a clear understanding of the financial and tax implications of planned giving.

A monetary gift or bequest

You can make a monetary gift to the Foundation of any amount, at any time. You can make such a planned gift during your lifetime, or make a provision in your will. Your bequest can represent a certain percentage of your estate or its remainder. You are limited only by the amount you wish to contribute.

If an heir predeceases you, his/her share of the estate can also be left to the Foundation. The amount in question is then added to the total scholarship fund. When the accumulated funds allow, the board of directors of the Foundation reserves the right to establish additional scholarships or to increase the value of existing scholarships.

The Selection Committee selects scholarship recipients based on predetermined criteria. You therefore need not be involved in the selection process.

Once you decide to make a planned monetary gift during your lifetime or in your will, your notary or lawyer can help you implement your decision.

A scholarship in your name

If you wish to make a gift of $25,000, the Assumption Foundation can establish a new $500 annual scholarship bearing your name or in the memory of a loved one. Obviously, a larger gift will increase the amount of the scholarship.

You will be consulted when the scholarship is established to help determine the award criteria based on the values you wish to promote. For example, you may want your scholarship to be awarded to a student pursuing studies in a specific discipline, or one who attended the same high school as you did or a high school of your choice, or one who is enrolled at a particular university or college.

You will even be able to sit on the committee selecting the recipient of your scholarship or delegate this task to officers of the Foundation.

It is worth noting that, because your planned gift generates interest, the Foundation will be able to award your scholarship in perpetuity without touching the principal amount of the gift.

An existing life insurance policy

If you already have a life insurance policy, you can amend it to make the Foundation the beneficiary of a portion or the full value of the policy. Your planned gift will thus be used to increase the funds available to establish new scholarships or to increase the value of existing scholarships.

A new life insurance policy

You can take out a new life insurance policy and specify that you want to name the Foundation as the beneficiary of a portion or the full value of the policy. Your planned gift will thus be used to increase the funds available to establish new scholarships or to increase the value of existing scholarships.

A registered retirement savings plan (RRSP)

As with an existing or new life insurance policy, you can name the Foundation as the beneficiary of a portion or the full value of your registered retirement savings plan. The amount received following your death will be used to increase the scholarship fund.

If the amount is $25,000 or more, you can establish a scholarship in your name (see the “A scholarship in your name” option, on page 6).

A registered retirement income fund (RRIF)

You can also name the Assumption Foundation as the beneficiary of a portion or the full value of a registered retirement income fund. The amount received following your death will be used to increase the scholarship fund.

If the amount is $25,000 or more, you can establish a scholarship in your name (see the "A scholarship in your name" option, on page 6).

A gift of securities

If you own shares, bonds or mutual funds, you can donate a portion or all of these securities to the Foundation. However, it is more advantageous from a tax standpoint to transfer them directly than to simply donate the proceeds from their sale.

If the amount is $25,000 or more, you can establish a scholarship in your name (see the "A scholarship in your name" option, on page 6).

Building an endowment fund

You can choose to make a one-time gift of a specified amount to the Foundation or to make regular (monthly or yearly) contributions over a given period of time towards the full amount of the endowment you wish to create.

If the amount is $25,000 or more, you can establish a scholarship in your name (see the "A scholarship in your name" option, on page 6).

Financial and tax implications

By donating a life insurance policy to the Assumption Foundation, you may be eligible for a charitable donation tax credit when you file your annual tax return.

In the case of an existing life insurance policy, your donation (the transfer of the policyholder interest and the beneficial interest to the Foundation) will be eligible for the charitable donation tax credit when you file your annual tax return. The eligible amount will be equal to the market value of your policy (its cash surrender value) at the time the transfer is made.

The Foundation will issue you a tax receipt equal to the amount of your policy's cash surrender value at the time of the transfer. If you realize a taxable gain at the time of the transfer, you will have to declare it as income earned in the transfer year, the same as if you had surrendered your policy. If you continue to pay the premiums, you will receive a tax receipt from the Foundation at the end of the fiscal year for the premiums you have paid.

> *Example:* *Marie Cole holds a $40,000 policy. The cash surrender value is $12,000. On the date of transferring her policy to the Assumption Foundation, she realizes a taxable gain of $2,000, while continuing to pay the $900 yearly premium for the remainder of the fiscal year. Mrs. Cole will have to declare this taxable gain of $2,000 as income. However, she will be able to use the charitable donation tax credit to reduce the tax payable that year. If her rate of taxation and her tax credit rate are 40%, Mrs. Cole will have to pay $800 in taxes on the $2,000 taxable gain, but she will receive a tax credit of $5,160 for her total gift of $12,900.*

In the case of a new life insurance policy naming a charitable organization as the beneficiary, you can then transfer the policyholder interest and the beneficial interest in this policy directly to the Foundation, but you will continue to pay the premiums. Since these premiums are considered a charitable donation, the Foundation will issue you a tax receipt at the end of the fiscal year. However, the death benefit paid to the Foundation after your death will not result in an estate tax credit.

> *Example:* *John Smith purchased a $20,000 life insurance policy. His yearly premium is $500. At the end of each year, Mr. Smith receives a charitable donation receipt. If his tax credit rate is 40%, Mr. Smith will receive a tax credit of $200 on the $500 yearly payment.*

When the donor remains the holder of a (existing or new) life insurance policy and names the Assumption Foundation as the beneficiary, no tax credit will be issued for the premiums paid. However, after the policyholder dies, a charitable donation tax receipt will be issued in the policyholder's name for the amount paid to the Foundation.

> *Example:* *Upon the death of Lynda Brown, an amount of $50,000 (the value of the life insurance policy at the time of death) is paid to the Assumption Foundation, the policy's beneficiary. If the tax credit rate for this gift is 40%, her estate will receive a tax credit of $20,000 for this last fiscal year.*

In the case of a universal life insurance policy, if the funds accumulate until the death of the donor and the cash surrender value is added to the value of the policy at the time of death, the full amount paid to the Foundation, the policy's beneficiary, will be exempt from taxes.

> *Example:* *Bob Grant purchases a universal life insurance policy with a cash surrender value of $30,000 and names the Assumption Foundation as the beneficiary. Upon Mr. Grant's death, the cash surrender value of $30,000 plus the accumulated value of the investments paid to the Foundation will be exempt from taxes.*

To minimize the taxes payable on the gift of an RRSP or an RRIF to the Foundation, the benefactor can name his/her estate as the beneficiary of the RRSP or RRIF, and stipulate in his/her will that an amount equal to the value of the RRSP or RRIF is to be transferred to the Foundation. The estate can then claim the tax credit on the charitable donation upon the death of the donor.

> *Example:* *Marcel White's RRSP is worth $35,000 at the time of his death. Mr. White had made a provision in his will that a bequest in the amount of his RRSP was to be paid to the Assumption Foundation. Again, using the example of the charitable tax credit rate of 40%, Mr. White's estate will be entitled to a tax credit of $14,000 for the donation made to the Foundation. This tax credit will be used to offset the $14,000 in taxes (assuming a tax rate of 40%) the estate will have to pay when the value of the RRSP is included in Mr. White's taxable income in his final tax return.*

If the benefactor owns investment instruments or securities (such as shares, bonds or mutual funds) and wants to donate them to the Foundation, he/she can cash in the investments and donate the proceeds to the Foundation. However, the sale of the investments may result in a taxable capital gain for the benefactor.

It would be more worthwhile to donate the investment instruments or securities by transferring them directly to the Assumption Foundation. Under the federal government tax regulations in effect as of August 2011, there is no capital gains tax when eligible investment instruments and securities are transferred directly to a charitable organization. In addition to this tax savings, the donor will receive a tax credit on the value of the instruments and securities donated to the Assumption Foundation.

> <u>*Example:*</u> *A few years ago, Sandra Evans purchased shares in XYZ Ltd. for a total of $4,000. Today, the market value of her portfolio is $10,000. She has decided to donate this $10,000 to the Assumption Foundation. Rather than sell her shares and donate the money, Mrs. Evans transferred her shares to the Foundation. As a result, she will not be taxed on the capital gain of $6,000 (taxable portion = half the gain). Assuming that her tax rate is 40%, her tax savings will be $1,200 (40% of $3,000). She will also be eligible for a tax credit on the $10,000 value of the gift.*

Limits on amounts eligible for a tax credit

Under the federal government regulations in effect as of August 2011, the amount used in calculating the charitable donation tax credit cannot exceed 75% of the donor's net annual income. In the case of gifts made after the donor's death, the amount can be up to 100% of the net income reported in the donor's final return or in the previous year's return.

Your financial planner, accountant or tax expert can help you determine how best to structure your planned giving within your overall tax and estate planning.

Have any questions?

If you have any questions about planned giving, please do not hesitate to contact:

Charline Gaston, Administrative Assistant, Human Resources
Telephone: 506-853-5446
Email: charline.gaston@assomption.ca

"Education is a social process.… Education is not a preparation for life; education is life itself."
John Dewey