



rethink.

Leave a legacy of generosity

Canadians donated \$10.3B in 2019.¹ But we might want to rethink if they're donating efficiently? Donors often give after-tax cash, but they could donate other assets like real estate, stocks or even life insurance. A strategic donor decides which assets to donate to ensure they make the biggest impact. Canadian tax laws provide a strong incentive to open our wallets to charity, but the maximum tax credit one can apply depends on their net income and the timing of their donation.²

Should my client donate a life insurance policy today or at death?

The best way to decide is to compare the tax advantages of each option by examining the tax credits accumulated over a donor's lifetime.

Consider a 45-year old female non-smoker.³ She's looking to maximize her charitable impact and tax credit so she chooses SunUniversallife II with level payments for life and a \$1M death benefit. Her current taxable income is \$250,000 but it will decline to \$75,000 when she retires at age 65. She expects to have an additional tax liability of \$300,000 at death.

Calculate the tax credit the Client can actually use

Year	Age	Insurance				Annual taxable income	Donate now			Donate at death	
		Annual Payment ³	Cash Value	Death Benefit (Donation at death)	IRR on death benefit		Potential annual tax credit ⁴	Tax credit (based on income)	Accumulated tax credits (with compound growth of 2%)	Potential tax credit at death ⁴	Actual tax credit at death (based on income) ⁵
5	50	11,909	1,301	1,000,000	115.0%	250,000	5,259	5,259	27,368	401,600	401,600
10	55	11,909	2,900	1,000,000	37.3%	250,000	5,259	5,259	57,585	401,600	401,600
15	60	11,909	4,865	1,000,000	19.7%	250,000	5,259	5,259	90,946	401,600	401,600
20	65	11,909	7,279	1,000,000	12.3%	75,000	4,783	4,783	127,304	401,600	401,600
25	70	11,909	10,247	1,000,000	8.4%	75,000	4,783	4,783	165,443	401,600	380,295
30	75	11,909	13,894	1,000,000	6.0%	75,000	4,783	4,783	207,551	401,600	380,295
35	80	11,909	18,375	1,000,000	4.4%	75,000	4,783	4,783	254,043	401,600	380,295
LE 40	85	11,909	23,882	1,000,000	3.3%	75,000	4,783	4,783	305,373	401,600	380,295
45	90	11,909	30,650	1,000,000	2.5%	75,000	4,783	4,783	362,045	401,600	380,295
50	95	11,909	38,967	1,000,000	1.9%	75,000	4,783	4,783	424,616	401,600	380,295
55	100	11,909	49,188	1,000,000	1.4%	75,000	4,783	4,783	493,700	401,600	380,295

Bolded values represents the greater tax credit solution in each year. LE = Life expectancy.

rethink.



	Donate today	Donate at death
Policy owner	Charity	Donor (insured)
Beneficiary	Charity	Charity
Can the beneficiary be changed after issue?	No	Yes
Access to cash value (if any)	No	Yes
Tax credit⁵	\$5,259 in each year premium is paid while income is \$250,000, but decreases to \$4,783 when income is only \$75,000. This accumulates to \$305,373 at LE (assuming 2% growth).	A one-time deduction of \$401,600 applies if there are no taxable income limitations. At age 65 and beyond, the Client's taxable income declines, so she only has enough taxes owed to claim \$380,295 of the donation credit.

Rethink your Client's donation strategy. Choosing to donate an insurance policy today could result in your Client relinquishing control of the policy. But may allow for a greater accumulated tax credit, depending on their taxable income and year of death.

Contact a Sun Life sales representative to learn about our Charitable Giving – Donate today or at death Excel tool.

¹ <https://www.statista.com/statistics/478794/total-charitable-donations-in-canada/>

² Donors can apply a non-refundable tax credit to their donation to reduce their tax bill. The combined federal and provincial tax credit ranges from 40% to 54%, depending on the province of residence and income earned.

³ Premiums based on resident of Ontario

⁴ Premium payments are made at the beginning of the year. The death benefit is assumed to be paid at the end of the year. For simplicity, tax credits are assumed to be received in the same year as the premium or death benefit payment.

⁵ The actual tax credit is limited by taxes owed. The figure used here is based on the tax liability at death plus the current year and previous year's income taxes using a tax rate of 53.53%.