



Charitable gifting using life insurance

Tax-efficient gifting by donating appreciated shares

There are various charitable gifting strategies when it comes to donating a life insurance policy to a charity, private foundation, or donor advised fund (for the purposes of this infographic referred to as charity). The following infographic illustrates the impact of donating appreciated shares where the charity is the owner and beneficiary of the life insurance policy. Under this strategy the donor must make an absolute assignment to the charity. If the donor wishes to maintain the ability to change the charitable organization, they should consider gifting to a private foundation or a donor advised fund. The following illustrates how donating appreciated shares to fund a \$1,000,000 life insurance policy can be more tax-efficient than selling shares and donating the cash proceeds¹.



Using
cash

to fund donation
of insurance policy



\$60,000 x 10 years
worth of
shares sold annually
to fund premium payments.

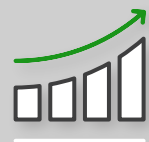
Assumes shares with a cost basis of \$20,000 are sold, and capital gains
taxes of \$10,000 are paid.

After-tax cash of \$50,000.

Donating appreciated

shares

to fund donation
of insurance policy



\$50,000 x 10 years
of annual

in-kind donation of shares
with accrued gains
directly to charity

(assumes cost basis \$20,000).

Cash

Charity is the **owner and beneficiary** of the policy.²



\$1,000,000

on death of the insured will go to the charity.



+

Approx. \$25,000

donation tax credit annually for 10 years.



Shares

Charity sells the securities and uses the proceeds from the sale to fund the **\$50,000** annual premium payments to the life insurance company.



Charity is the **owner and beneficiary** of the policy.²



\$1,000,000

on death of the insured will go to the charity.



+

Approx. \$25,000

donation tax credit annually for 10 years.



\$0 taxes payable on donated shares.

Key facts and figures

\$1,000,000 to the charity on death of the donor



\$600,000 of shares sold to fund donation strategy



\$100,000 in taxes paid

\$25,000 donation tax credit generated annually x 10 years



\$1,000,000 to the charity on death of the donor



\$500,000 in-kind donation of shares required to fund donation strategy



\$0 taxes payable on donated shares

\$25,000 donation tax credit generated annually x 10 years



Speak to your TD Advisor if you are interested in enhancing your charitable gifting strategy through the use of insurance.



¹Assumes a universal life insurance policy with a \$1,000,000 death benefit, and annual premiums of \$50,000 for 10 years was purchased and donated to a charity. Insurance figures are for illustration purposes only and do not take into account any additional values such as accumulated dividends and interest. Assumes a male age 55 with a 50% marginal tax rate.

²When a donor makes an absolute assignment of a policy to charity, the donor is deemed to have disposed of the policy and may have an income inclusion for tax purposes.

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