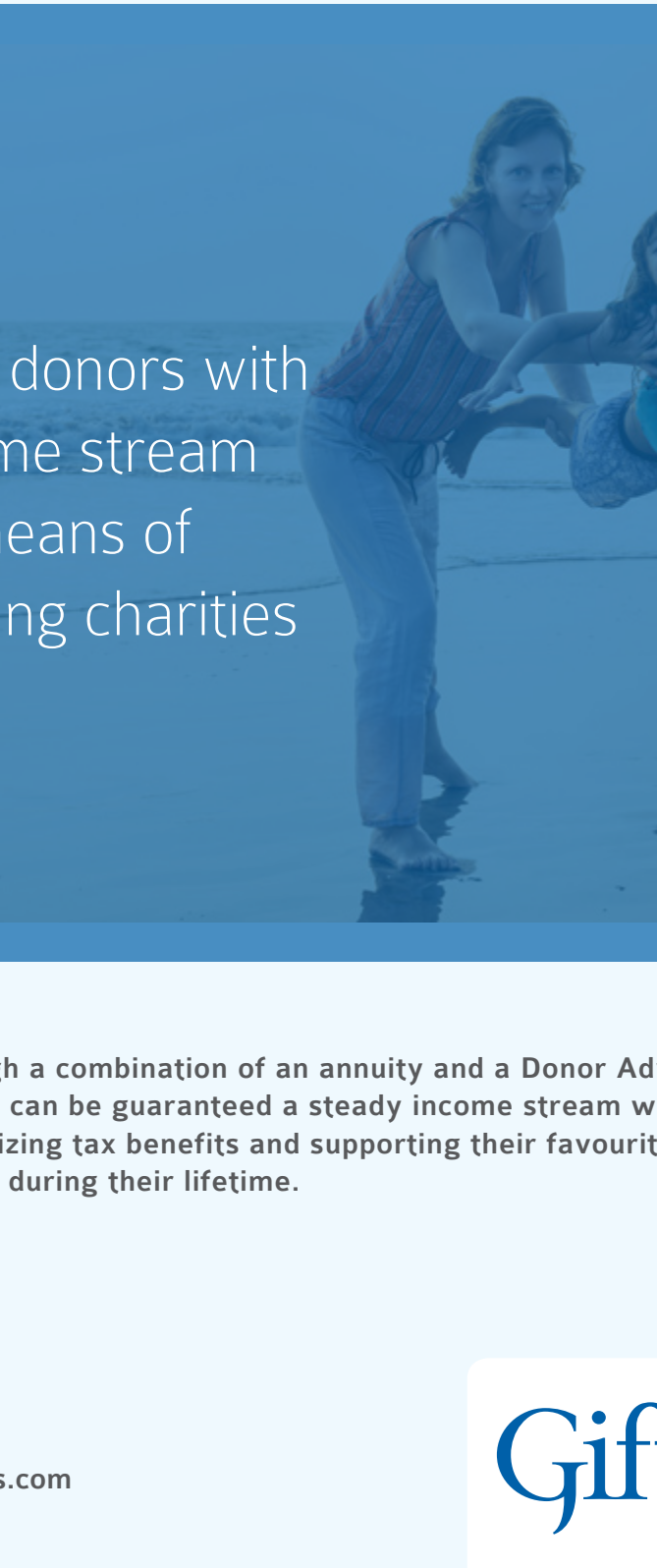


A Charitable Gift Annuity



Provide donors with an income stream and a means of supporting charities

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Through a combination of an annuity and a Donor Advised Fund, donors can be guaranteed a steady income stream while also maximizing tax benefits and supporting their favourite charitable causes during their lifetime.

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A Charitable Gift Annuity

Often donors want to make a gift to a favoured cause but worry about future cash requirements. Through a combination of an annuity and a Donor Advised Fund, donors can be guaranteed a steady income stream while also maximizing tax benefits and supporting their favourite charitable causes during their lifetime. In essence, Charitable Gift Annuities can be considered part investment and part charitable gift.

An annuity can provide donors with income for a defined timeframe, or most often for life. When combined with a *Gift Funds Canada* Donor Advised Fund, an annuity allows donors wishing to make a charitable gift during their lifetime to do so without jeopardizing their access to supplemental income, both now and in the future.

The donor, working with their preferred insurance advisor, can purchase an annuity using available capital from personal savings, such as appreciated securities, or from registered accounts such as RRSP's and RRIF's. In the case of registered accounts, holders are required by

the CRA to convert their account into an income stream by the age of 71, making registered accounts ideal for purchasing an annuity. In either case, the donor can purchase an annuity that is best tailored to their financial needs, choose to gift any excess capital to their Donor Advised Fund and benefit from an immediate donation receipt.

Moreover, with a *Gift Funds Canada* Donor Advised Fund, the donor has the ability to make decisions involving investment management and disbursement of the gifted capital.

Ways to Gift Using an Annuity

Using a current annuity. The combined benefits of purchasing an annuity and establishing a Donor Advised Fund with *Gift Funds Canada* (CFG) can provide supplemental income for the donor's lifetime (and the lifetime of their spouse; a joint and last survivor annuity) and provide immediate tax benefits, while allowing the donor to support their favourite causes now and for years to come. This can be particularly attractive to donors seeking to convert financial assets into a near term income stream, while making the funds available to support their favourite causes on a tax effective basis.



Using a deferred annuity. In many instances, annuity income can be deferred for up to 15 years. If this is the case, donors can purchase an annuity now and donate any excess capital they feel appropriate to their Donor Advised Fund with *Gift Funds Canada*. As such, donors will receive an immediate tax benefit while deferring the income from their annuity until some future date, such as retirement. Donors can begin granting to their favourite causes immediately and enjoy additional tax benefits in the future by topping up the Donor Advised Fund with new gifts.



Ways to Gift Using an Annuity

Turning a deferred gift into a current gift. In the case of both a current annuity and a deferred annuity the donor is, in most cases, making a gift today that they would otherwise defer until some future date as a result of concerns over future income needs. An annuity allows the donor to arrange a guaranteed indexed income stream today based on future needs thus allowing them to free up capital for gifting that might otherwise remain locked up in traditional financial assets.



Leveraging a gift of life insurance. Donors may also choose to acquire a life insurance policy to replace some or all of the capital used to acquire an annuity. In this case, a portion of the annuity income can be used to pay the insurance premiums (also see: Wealth Replacement Insurance and A Gift of Life Insurance).

Tax treatment of annuity income. Other than registered assets, annuity income is tax advantaged. CRA treats all or part of the annuity income as a return of capital offering the donor access to greater monthly income than would otherwise be the case with a comparable low risk investment vehicle.





For further information or to discuss establishing your own Donor Advised Fund, please contact us at:

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