

# Wealth Replacement Insurance



Leave meaningful gifts to favourites causes while covering their financial legacy to heirs

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Canada



# Wealth Replacement Insurance

Often donors want to leave meaningful gifts to their favourite causes but are concerned about diminishing their financial legacy to their heirs. Purchasing a wealth replacement insurance policy and making the donor's heirs the beneficiaries may allow donors to fulfil their charitable giving objectives during their lifetime without diminishing their family legacy.

Life insurance is one of the most common methods of providing a legacy to meet the needs of loved ones upon passing. A wealth replacement policy will allow donors to provide for their heirs while making meaningful charitable donations during their lifetime.

Heirs will receive the proceeds of the insurance policy instead of cash, securities, real estate or other assets the donor may choose to donate to charity. Even if the proceeds of the policy are not equal in value to the donated assets the donor can be confident that the proceeds of the policy will be paid to the named beneficiaries in full.

Heirs named as beneficiaries of the wealth replacement insurance policy will receive the proceeds of the policy tax free upon notification of the passing of the insured. As a result the heirs will receive their inheritance much faster. The benefit to the estate and the beneficiaries results from the fact that assets gifted to charity during the life of the insured and the proceeds of the life insurance policy do not become part of the donor's estate. As a result they are not subject to probate fees, creditor claims or potential claims by other beneficiaries.

# Benefits of Wealth Replacement Insurance for Donors

Many assets appreciate in value over time. Depending on how the donors' estate is structured it may be necessary for the heirs to liquidate assets to pay capital gains taxes arising from the estate and impacting what the heirs will ultimately receive. By donating an asset during the donor's lifetime and purchasing wealth replacement insurance the donor will know exactly what their heirs will receive upon the passing of the donor.

Donors wishing to donate gifts of appreciated securities during their lifetimes will minimize or even eliminate the capital gains tax that is payable upon death which will in turn reduce the overall value of the donors' estate.

Donors also have the option of acquiring a policy that increases in value as a donated asset may have done. This would involve purchasing a policy with an increasing death benefit.

In many cases the donor may be able to pay the policy's premiums with the tax savings arising from the charitable gift. In contrast a gift left under a will, or a testamentary gift, will not generate tax savings during the donor's lifetime.

Donors may also wish to consider leveraging a charitable gift annuity or other form of annuity in order to pay the premiums (see: A Charitable Gift Annuity).

Donors can enjoy lower policy premiums by purchasing a "last to die" policy that will pay out to their heirs only once both spouses have died.



# Donor Advised Funds & Wealth Replacement Insurance



“ Any financial gains on your donated assets over time will be received by your DAF tax-free ”

Establishing a donor advised fund (DAF) with *Gift Funds Canada* (GFC) allows donors to optimize their gifting flexibility, leave a lasting charitable legacy to their heirs and maintain influence over the investment management of the donated assets. Once the assets are donated to your personal donor advised fund you would receive an immediate donation receipt. Any financial gains on your donated assets over time will be received by your DAF tax-free. You and your heirs will have total flexibility in the execution of your giving strategy. And you can choose to support a single cause, several causes or enjoy the flexibility of evolving your gifting strategy over many years to come.

With the added advantages of wealth replacement insurance you will be able to both donate your chosen assets to your favorite causes through your DAF during your lifetime while ensuring your heirs receive a guaranteed financial legacy once you have passed. Using a GFC donor advised fund for your charitable giving provides you and your heirs with a sustainable gifting vehicle that will ensure your charitable legacy is preserved and wishes honored for many years to come.



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

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