Seventh-day Adventist Church in Canada Edition

GEORGE'S TREE

The story of a *well* planned gift

Alain Lévesque

"We make a living by what we get,
but we make a life by what we give."

WINSTON CHURCHILL

GEORGE'S TREE

The story of a *well* planned gift

Alain Lévesque

Adapted with permission for the
Seventh-day Adventist Church in Canada
Planned Giving and Trust Services Department

DeVimy
& Associates
Philanthropy - Gift Planning

I dedicate this book to my father who was always a model of determination and perseverance for me.

He always told me, *"When the task is complicated, roll up your sleeves, spit in your hands and go for it."*

It is with this determination that I embarked on the writing of this book.

I love you Dad.

CONTENTS

FOREWORD TO THE SEVENTH-DAY ADVENTIST CHURCH IN CANADA EDITION OF GEORGE'S TREE

Alain Levesque, the author of *GEORGE'S TREE*, is a respected presenter for several Canadian Adventist professional groups. He is well known for the clarity of his information and for his book, *GEORGE'S TREE*.

GEORGE'S TREE is essentially about Canadians donating to Canadian registered charities and some of the tax advantages offered by the Canada Revenue Agency (CRA). Included are a few notes about cross-border donations but they are not the main focus of the book.

This edition preserves most of the original text and all of the original illustrations while also attempting to make it into Adventist-friendly reading. However, please note that all of the donor names and donations referenced in this book are as examples only and have no basis in reality.

We echo Alain's advice: Enjoy!

Grace Mackintosh, Director
Planned Giving and Trust Services
Seventh-day Adventist Church in Canada

Tina Keys, Secretary
Planned Giving and Trust Services
Seventh-day Adventist Church in Canada

Carolyn Osmond, Editor
SDACC Edition

FOREWORD TO GEORGE'S TREE

To simplify the reading of this book, we use rounded numbers and, to lighten the scenarios, have voluntarily eliminated certain details.

Our priority is to convey a few well thought-out gifting methods available to donors and to explain gift planning strategies in their simplest form.

INTRODUCTION

Seventh-day Adventists are known for their charitable giving. They give to support their churches, their church educational system, and their health initiatives. They also donate to aid many worldwide humanitarian causes and the spread of the Gospel through public evangelism and electronic media.

The needs of the supporting institutions and charitable organizations have never been greater nor have the reasons to give been so widespread.

Many Adventists make donations, most regularly. But how many have entertained the idea of strategic aid on a continuous basis not only while living but also through estate planning.

After having seen to the financial protection of your family and the welfare of those near you, you can choose to give a greater or lesser part of your assets to one or more charities.

But how?

People usually know to whom, why and when to give, but all too often, don't know HOW.

This book answers that question and suggests various strategies that will further one's generosity.

A planned gift is a contribution that must be inspired, considered, and developed. Regardless of the amount, each planned gift will make a difference. It's an important and significant act, the end result of a unique and personal journey.

Benefit from George's story. Throughout, it will surely be a source of inspiration. You will find that it will serve as both example and model. By doing your share, you too can serve as an example to others.

Enjoy.

Alain Lévesque

1

A REUNION

1

Shortly after their friend George's funeral two couples, old pals, are together for breakfast in a restaurant.

Charles and Lisa, both earlier graduates of Canadian University College (CUC), have recently retired from their respective careers in dentistry and physiotherapy. Lately, they have been devoting more time to their longstanding passions, gardening and travelling, including a volunteer trip overseas with ADRA* Canada. Over the past few months, a first grandson was born, adding a whole new dimension to their lives.

Now married for forty years and both also CUC graduates, Ann and James were childhood sweethearts. Ann left her job as a teacher after the birth of her second child while James pursued a successful career in accounting and management.

After the meal, the conversation turned to George who had died three years after his wife Nicole. George and Nicole, both professors at the University of Alberta, had been part of the group of friends since their school days.

> "George's fate took quite a different turn from what he had planned. So many things will now change," sighed Charles, as he clutched Lisa's hand.

*** Adventist Development and Relief Agency Canada**

“I know what you mean!” added Ann. “He leaves a great void for his children, his brother Anthony, his old dog Pat, not to mention his health club buddies, his students, all his charitable work… We were members of the CUC Board of Trustees. He was quite dedicated and involved. He gave much of his time and money to the institution, as well as to other organizations. He had become more active after retiring. His support will be sorely missed,” she said regretfully.

“What do you mean, Ann?” asked Charles.

“I was just thinking that all the money he gave to various charities won’t be easily replaced.”

“Don’t you know?” asked Charles.

“Know what?” replied Ann.

“For the organizations that George was supporting, it’s quite the contrary. Even if he has passed on, his support will continue,” said Charles.

1

"What are you saying?" asked James. "Didn't you just say that much will change now that George is gone?"

"As a matter of fact, I was thinking of golf," answered Charles. "I've lost my best partner. Who will I play with four to five times a week? I don't know who is willing to put up with me for that long."

"Quite true," added James, as they all chuckled.

"Charles, please forget about golf for a moment and explain why George's support won't change," Ann prompted.

"Quite simply, the donations that George was making every year will continue thanks to the endowment funds he created."

"What funds?" inquired James and Ann simultaneously.

"**En-dow-ment** funds," repeated Charles emphasizing each syllable, "money that will be received by organizations and charities chosen by George.

“They inherit a sum that must be invested separately from other assets. The capital remains intact; only the interest is used. George made sure to leave each organization sufficient capital to annually receive in perpetuity the amounts that he was donating when living. One of the funds will be used for scholarships at CUC, scholarships that will be awarded in his name.”

“But it must have cost him a fortune!” exclaimed Ann. “As far as I know, George wasn’t a millionaire. If he gave that much money to charitable organizations, there can’t be too much left for Francis and Natalie. Poor children, their mother died three years ago. Even if they both have careers, they won’t appreciate that George gave their inheritance to charity.”

“Sorry Ann, you just don’t get it,” interrupted Charles. “On one hand, you’re right, George wasn’t a millionaire, but he did have a good pension plan from the university where he worked and, as you know, he was very generous. After Nicole’s death, his needs changed. By selling his house and buying a condo, his expenses dropped. He was able to help various causes.”

"That doesn't explain how he was able to give to so many organizations," interrupted Ann.

"I'm getting to that," said Charles. "The organizations will receive a lump sum thanks to a life insurance policy that George took out in the last year. Poor George, his fatal heart attack was a shock. He hadn't planned to cash in his life insurance so quickly."

"Now I understand," said Ann. "I didn't know that we could donate to a charitable organization that way. But at his age, life insurance premiums must have been exceedingly high," she continued with a bit of scepticism.

"Not at all," answered Charles, "the strategy that George put in place even allowed him to completely eliminate income taxes to be paid on his RRSP's and the cottage upon his death. Consequently, Francis and Natalie won't lose a cent in the transaction and, I'm sure, will even come out ahead. It was all calculated ahead of time. In fact, they're very proud of their father's accomplishment. His memory will live on through his generosity."

“WONDERFUL!” exclaimed James. “I always knew that George had good ideas and that was his best. Tell me, Charles, how did he figure that out?”

“Last year, as part of Philanthropy Week, George’s university invited its current and retired faculty and staff, as well as its alumni to attend a seminar on gift planning. George asked me to go with him. There must have been thirty of us, some you know well. Jerome was there, along with Bridget and Claude, Clare and John. Mary was there as well.

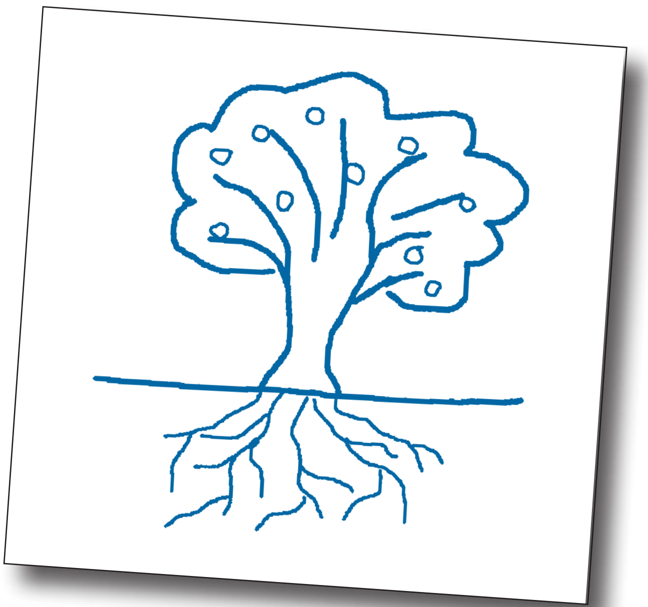
“The speaker, a gift planning specialist, demonstrated various methods to donate to Canadian charitable organizations and foundations. Some of these strategies even allow people to leave their children more money, thanks to gifts made upon dying. There’s no magic about it. Well-prepared steps and small clauses that are part of the Canadian tax code can make an enormous difference. Do you follow?”

“And after the seminar George decided to meet the planned giving specialist?” asked Ann.

“Exactly!” answered Charles. “George confided in me that he found the specialist’s examples so clear that he felt they were speaking directly to him. George contacted the specialist a few weeks after the seminar. This fellow carried out a complete analysis of George’s financial situation and suggested strategies that would set up donation continuity after his death. As a result, our good friend chose a life insurance policy. In hindsight, you must admit it was a wise decision.

“The specialist called it ***the gift planning tree***. You should know that a planned gift is a substantial gift made as part of a financial, fiscal or estate plan. It’s like planting a tree when you’re alive: it survives and continues to bear fruit, even after you’re gone.”

To illustrate his point, Charles took out a pen and drew a tree on a napkin.



"George's tree is made up of three parts: the roots represent the insurance premiums he paid, the trunk and branches represent the capital that will go to the charitable organizations, and the fruit, the donations that those organizations will receive every year or, if you prefer, in perpetuity."

There was a short pause.

"What a great story!" said Ann emotionally. "What George did was really extraordinary."

"And you, Charles, did you do the same?" asked James.

"No, not really, or at least, not yet. With our youngest still in university and the new grandchild keeping us busy, there are a thousand things to deal with. I probably should call my lawyer*. For me, it is probably donations through my will that would be most advantageous."

"That would be most advantageous for US!" exclaimed Lisa. "In fact, the gifts we are considering will be made at the death of the last survivor between Charles and me. After analyzing our situation, the gift planning specialist advised us to opt for this strategy. As you can imagine, we've never looked at things from that angle before. And it's not because we haven't been well advised; the gift planning director where we are planning to donate a part of our gift even wrote up a clause to be added to our wills to clearly express our wishes.

*** Notary in Quebec**

“We have everything we need. It would be wonderful to be able to help ADRA Canada and CUC.”

“I’m impressed!” said James.

“I have never heard this explained so clearly!” said Ann. “Are you sure that these gift strategies are legal? With all those tax breaks and such, it seems too good to be true. It doesn’t sound like it could apply to us. After all… everyone knows that philanthropy like that is new in our milieu, right?”

“Yes, it hasn’t come to our attention a lot,” replied Charles. “After the first seminar with George, I decided to become involved with ADRA Canada and CUC. I really intend to make substantial gifts to both, gifts that will make a difference.

“I know what you’re thinking. I was rather careful at the beginning, too, but after checking everything out, it turns out this is all legal. Don’t worry, governments know exactly what they’re doing when they give out a tax break. Making a planned gift is like dictating the use of one’s income taxes.

1

“But let’s get back to the subject. I wanted to tell you that to help demonstrate the various planned gift strategies, I participated in planning six information meetings over breakfasts with the planned giving specialist. And I believe the breakfast meetings may have generated some very fine planned gifts for several of our conferences and other church-owned charitable organizations. Quite frankly, I’m very pleased to have been of help. I’ve seen the presentation so often, I almost know it by heart. It’s about time we finish the paperwork for our own gifts, right Lisa?”

“What are the sessions called?” asked Ann.

“***Planned Giving and Trust Services,*** or something to that effect,” answered Charles.

“It already sounds good,” said James. “And if you gave us one, maybe we could learn more.”

“Fine, I think I can explain two or three concepts that I understand. I’m no expert, but you know me well enough to know that I took careful notes. Better yet! I’ll invite you to the next meeting with the planned giving specialist. Relax, you won’t be asked to give, but feel quite free to make a gift to a cause dear to your heart.”

Charles gave them the date of the next seminar.

Now it’s the speaker’s turn…

2

SEMINAR

A WORD OF WELCOME

2

Dear Participants,

Welcome to this seminar on the subject of gift planning.

We can influence the lives of those around us, but what impact can we have on the community and the world in general?

Throughout our lives, we measure our success by tangible results. We acquire homes, secondary residences, shares, bonds and other valuable assets. While these achievements are important, they may contribute little to the impact that we have on others.

What memories will you leave after death?

What impact will you have had on the world?

What legacy will you leave your community or your church community?

There are various ways to make a gift. Planning charitable gifts must be part of an over-all financial plan that, in return, will have a substantial impact on you and on the recipients of your donations.

This seminar's objective is to offer solutions that will help you create a lasting legacy.

You have the power to change the world.

Have a good seminar.

The Specialist

2.1

INTRODUCTION

2.1 What is philanthropy?

The word ***PHILANTHROPY*** comes from the Greek
Philos: Who loves
Anthropos: Human being

Philanthropy is the philosophy or doctrine that places humanity at the forefront of its priorities. A philanthropist seeks to improve the lot of his neighbours by financial donations or by the creation and support of charitable organizations.

What is a planned gift?

The Canadian Association of Gift Planners provides the following definition: "Gift Planning is the donor-centered process of planning charitable gifts, whether current or future, that meets philanthropic goals and balances personal, family, and tax considerations." In other words, a planned gift is any gift that is the result of a financial, fiscal or estate plan.

2.1

What is the principal reason preventing people from making planned gifts?

No one ever suggested it!!!!

Today, it boggles the mind to see the numbers of professionals, lawyers*, accountants and financial planners who do not discuss the possibility of making planned gifts with their clients for the sole reason that they themselves are unfamiliar with the concept.

*** Notaries in Quebec**

The goal of this seminar is to demonstrate different ways to make gifts to charities.

CHARITABLE ORGANIZATIONS

To be eligible for special tax treatment, a charitable donation must be made to a recognized organization, an organization registered with the Canada Revenue Agency (CRA). The donor receives a tax credit from these donations.

In Canada, there are over 80,000 registered charitable organizations authorized by the CRA to provide official charitable donation receipts.

“There are three types of registered charities. Every registered charity is designated as a:

- charitable organization;
- public foundation, or
- private foundation.

“The designation a charity receives depends on its structure, its source of funding, and its mode of operation. A registered charity is notified of its designation by the CRA when it receives a Notice of Registration.” (Quoted from the CRA website shown below.)

www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/trcd-eng.html

2.1

Most registered charities of the Seventh-day Adventist Church in Canada are Charitable Organizations.

Other registered charities may include:

- Registered Canadian amateur athletic associations
- The government of Canada, the provinces and municipalities
- Approved foreign universities (see page 100)

To simplify this text, we use the words REGISTERED CHARITY OR CHARITY to represent all Adventist charitable organizations.

TAX TREATMENT OF CHARITABLE DONATIONS

2.1

Donations made to registered charities contribute to reducing the income taxes on earnings. In fact, an individual who makes a gift to a registered charity will receive NON-REFUNDABLE TAX CREDITS at the following rates*:

Applicable rate	Federal %	Ontario %	New Brunswick %	Alberta %
First $200	15.00	6.05	9.10	10.00
Excess	29.00	11.16	14.30	21.00

The combined federal and provincial tax credits vary according to the province. For example, the total Federal and Alberta Tax credits for donations in excess of $200 is 50%. The governments grant these credits in order to reduce income tax and allow donations from individuals to assist with various recognized charitable activities.

***Rates are subject to change.**
Please check with your financial advisor or Canada Revenue Agency.

Example

Based on his taxable income one year, Mr. Jones has to pay taxes of **$20,000**. During the same year, he makes charitable donations to his church of **$4,000**.

Income taxes payable on his income:		**$20,000**
Donation:	**$4,000**	
Tax credits (50 %):		$2,000
Income tax after the donation:		**$18,000**

For the sake of simplicity, we will use tax credits of **50%** in our examples.

2.1

ANNUAL ADMISSIBLE DONATION LIMIT

2.1

Donation while living

- An individual can claim a donation of up to 75% of his current net annual income;
- A couple can combine donations and claim tax credits on a single tax return;
- Either spouse may claim some or all of their charitable donation receipts, depending on which is most advantageous;
- Donations can be claimed in the year the donation is made and in the five following years.

Donations at death

- An individual can claim a donation of up to 100% of taxable income in the year of death as well as 100% for the preceding year, if there's an excess amount, including donations made through a will.

  Of course, it is the executor who will apply these transactions.

Example

Mrs. Smith has a taxable income of **$80,000**. While living, she makes a cash donation of **$100,000** to the Alberta Conference of the Seventh-day Adventist Church for conference evangelism.

Year 1 **$80,000 X 75 % = $60,000**

Mrs. Smith can claim up to **$60,000** and will receive tax credits of **$30,000**.

Year 2 **$80,000 X 75 % = $60,000**

Mrs. Smith is limited to tax credits based on **$60,000**, but since only **$40,000** remains ($100,000 – $60,000 used the first year), the remaining **$40,000** can be used to receive tax credits of **$20,000**.

It should be noted that when a donation is made to a registered organization, up to half of the amount is returned in the form of tax credits.

ENDOWMENT FUNDS

All planned gifts presented in this seminar can be used to create a permanent endowment fund, also known as a capitalized fund or, in other words, a lasting gift.

The charitable organization invests the initial gift and the capital remains intact. The interest is used annually for the purpose the fund was created and becomes a stable source of income for the future.

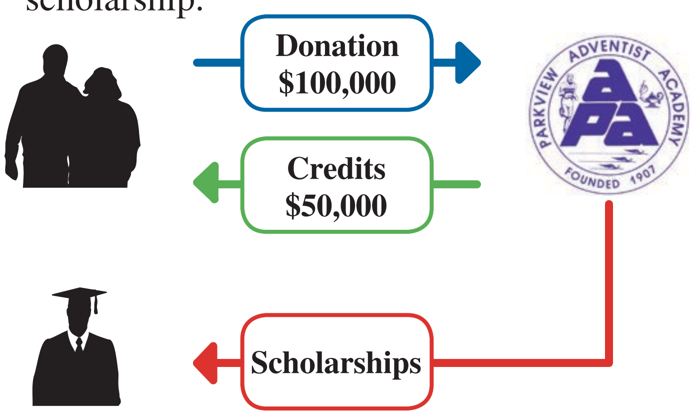
An endowment fund is a particularly eloquent way to remember someone, whether a donor or a close relative. According to the type of receiving charity, the annual interest can go to student scholarships, conference evangelism, youth camp or blind camp support, It Is Written, etc.

A charitable organization can annually pay out the amount specified by a donor, but must use a minimum of 3.5% of the capital of the fund, as required by Canada Revenue Agency.

Example

John and Marsha make a **$100,000 endowment** donation to Parkview Adventist Academy to create a scholarship fund. Parkview Adventist Academy has a policy to distribute **4 %** per annum.

1. They make a donation of **$100,000**;
2. They receive **$50,000** in tax credits;
3. The school invests the **$100,000** and each year, distributes **$4,000** in the form of a scholarship.



A **$4,000** scholarship will be distributed in their name every year in perpetuity.

TYPES OF DONATIONS

2.1

There are many ways to aid one's favourite charitable organization.

Immediate gifts

- Cash gift
- In-kind gift (vehicles, real estate, etc.)
- Gift of listed securities
- Registered plan gift

Deferred gifts

- Charitable bequest
- Life insurance policy gift
- Annuity gift

2.1

In the following examples, we will discuss the most common types of gifts, as well as the different strategies used to include such gifts into an estate plan.

2.2

IMMEDIATE GIFTS

CASH GIFT

A gift made with cash or a cheque book: annual campaigns, sponsorships, door-to-door, mailings, etc.

It's an easy and specific way for the donor: he or she can start and stop at will.

2.2

Advantages for the donor

- No fees
- Takes little time
- Immediate tax receipt

Advantages for the organization

- Funds immediately available
- The organization can often use the money according to its needs and priorities.

Possible planning

- Pay cheque withdrawals

  Many employers allow their employees to make gifts to predetermined charities directly from their pay cheques.

- Preauthorized payments (bank account, credit card)

  Many organizations allow their donors to make gifts directly from their bank accounts or credit cards.

2.2

Those who use a credit card that accumulates points (loyalty or travel) can have a fixed sum debited each month. The more gifts made in this manner, the more they profit from advantages related to using their credit card.

LISTED SECURITIES GIFT

2.2

Certain types of gifts carry particular tax advantages and fall into the categories of **shares, bonds, mutual funds, and segregated funds**.

If a donor sells his shares[1] to make a cash gift, he will pay taxes on **50 %** of the capital gain on the profit from shares.

Since 2006, taxes have been **eliminated** on capital gain resulting from the disposition of shares listed on the stock exchange **given directly** to a registered charity or a private or public foundation.

1. Shares held in a non-registered account

Example

Mrs. Rogers wishes to make a donation of **$10,000** in shares to the church, shares that cost her **$2,000**.

	CASH GIFT	SHARES GIFT
Value of the gift	$10,000	$10,000
Taxable capital gain	$4,000 (gain of $8,000 x 50 %)	0
Taxes on gain (50 %)	($2,000)	0
Tax credit for gift (50 %)	$5,000	$5,000
Tax savings	$3,000 (– $2,000 + $5,000)	$5,000
Cost of gift	**$7,000** ($10,000 – $3,000)	**$5,000** ($10,000 – $5,000)

It would be much more advantageous for Mrs. Rogers to make a transfer of shares directly to the church instead of selling them and subsequently making a cash gift.

REGISTERED PLAN GIFT (RRSP AND RRIF)

A strategy that allows the donor to give retirement savings, totally or in part, to a registered charity.

2.2

Advantages

- The donor can make a donation upon death or while living.
- The donor maintains complete control of assets until death (if the gift is made upon death).

The donor can transfer the money in a RRSP or RRIF to a registered charity without paying taxes.

Example

Mr. Craig has **$200,000** in his RRSP and wishes to give **$50,000** to a church school building project.

The donor:

1. Withdraws money from his RRSP to make the gift;
2. Is required to pay income tax (50 %);
3. Makes a gift giving him tax credits (50 %);
4. Has no income tax to pay.

Gift (taken from his RRSP): **$50,000**

Income tax payable on the RRSP:	**$25,000**
Tax credits on a $50,000 gift:	(**$25,000**)
Income tax payable	**$0**

The **$50,000** goes to the registered charity and Mr. Craig pays little or no income tax on the transaction.

2.3

DEFERRED GIFTS

CHARITABLE BEQUEST

This is the method most frequently used upon death. A testamentary gift is simple to make. The donor needs to add a clause in his or her will that stipulates a wish to make a gift to one or more registered charities at death.

The advantages for the donor are **anonymity** and **flexibility**.

2.3

Anonymity: The donor does not need to reveal the intention to make a testamentary gift to charity.

Flexibility: The gift can be modified at all times by a simple change in the will or by adding a codicil.

Note: Bequests may need to include words to the effect that if the gift cannot be used as specified, the charity's board may vote it for the greatest need at the time.

Caution: Ideally, testamentary bequests are discussed with the donor's family to avoid later challenges to the will.

We can bequeath in various ways. For example:

- **Specific bequest**

  "I bequeath my cottage to the Ontario Conference of the Seventh-day Adventist Church to be used as voted by the Board of Directors after my death."

  "I bequeath the sum of **$25,000** to the Yellowknife, NWT Seventh-day Adventist Church for Community Services."

  "I bequeath **30 % of the value of my estate** to the Seventh-day Adventist Church (British Columbia Conference) for Camp Hope improvements."

- **Residual bequest**

  "I bequeath the sum of $100,000 to my three children and the **residue** of my estate to the Seventh-day Adventist Church - Quebec Conference for religious book translation."

- **Universal bequest**

  "I bequeath the totality of my estate to the Maritime Conference of the Seventh-day Adventist Church for Sandy Lake Academy student aid scholarships."

To facilitate the executor's task, and in order for the amount to be claimed in the deceased's final income tax report, the organization's name must be clearly shown in the will.

LIFE INSURANCE GIFT

Life insurance is a marvellous financial tool[1] that allows one to plan an important gift while paying only a fraction of the sum to be given. Life insurance helps donors go farther with their gifts.

2.3

A donor can:

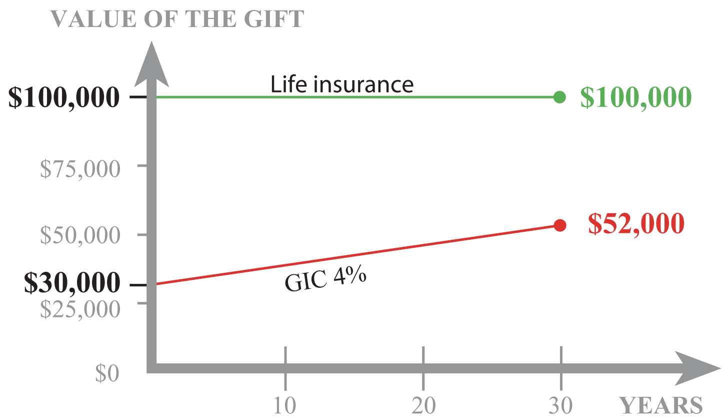
- Give an **existing** life insurance policy to a registered charity;
- Name a **beneficiary** charity in an existing policy;
- Subscribe to a **new** gift insurance policy.

1. **A person's age, health, and whether smoker or non-smoker are factors that determine the cost of the life insurance policy.**

Example

Mr. and Mrs. Johnson, 60-year-old Adventist non-smokers in good health, wish to make a gift upon their death to ADRA Canada for disaster relief projects. After analyzing their situation: **$30,000** can be used to fund the gift.

Value of a gift for an investment of $30,000



If the Johnsons invest the $30,000 in a GIC[1] at 4 % (before taxes)[2], upon their deaths **in 30 years[3],** they will be able to bequeath **$52,000**. On the other hand, if the Johnsons subscribe to a single-premium life insurance policy, they could make a gift of **$100,000 regardless of their ages upon dying**.

1. Guaranteed income certificate
2. Tax rate of 50 %
3. Life expectancy for the couple at age 60

By investing in a life insurance policy, the Johnsons can bequeath **twice as much** at their time of death for the same cost.

2.3

TAX TREATMENT OF A LIFE INSURANCE GIFT

The time when a donor will receive a tax advantage on a life insurance gift depends on the insurance policy owner: the **insured person** or the **registered charity**.

Strategy 1: The donor is the insurance policy owner and the charity is the beneficiary

The donor controls the capital; the donor can change the beneficiary and **receives no tax advantage while living**. Upon death, the capital is paid to the charity who then issues an official tax receipt for the gift. Thus, the donor receives a tax benefit upon **death**.

Strategy 2: The charity is the owner and beneficiary of the life insurance policy[1]

The gift and the beneficiary are irrevocable. The donor receives a receipt for **each year** the premium is paid. At the time of death, the capital is paid to the charity.

1. The policy is on the donor's life with premiums paid by the donor.

Example

Mr. MacDonald, a 50-year-old non-smoker in good health, subscribes to a **$100,000** life insurance policy for a scholarship at Kingsway College in memory of his daughter. A ten-year, guaranteed annual premium of **$3,400** will pay for the entire policy.

1. The donor is the owner of the insurance policy

2. The charity is the owner of the insurance policy

The moment the donor wishes to use the tax receipt will define who will be the owner of the insurance policy.

GIFT OF A JOINT LIFE INSURANCE POLICY PAYABLE AT THE TIME OF THE 2nd DEATH

When an insurance is taken out on the lives of a couple upon the death of the survivor, the cost is considerably lower.

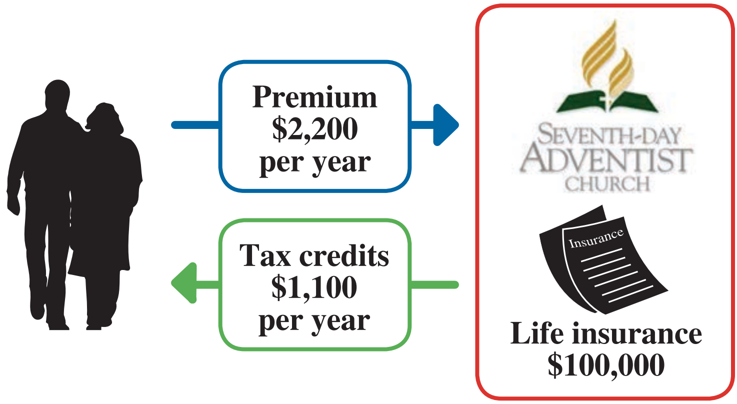
2.3

The insurance company's risk is spread over two lives and the death benefit is paid at the 2nd death which allows a couple to make a substantial gift upon death at a very affordable cost.

Example

Peter and Lucy, 50-year-old Adventists in good health, wish to make a **$100,000 life insurance gift** to the Manitoba-Saskatchewan Conference of the Seventh-day Adventist Church for conference Adventist Education. A ten-year, guaranteed annual premium of **$2,200** will pay for the entire policy.

1. For ten years, they donate **$2,200** to the conference to pay the premiums;
2. They subscribe to a joint **$100,000** life insurance policy payable upon the 2nd death and where the conference is the owner;
3. They receive **$1,100** in tax credits (50% of the premium gift) annually.



After ten years, their gift will have cost only **$11,000** for a death benefit of **$100,000.**

2.4

STRATEGIES

ESTATE REPLACEMENT

Estate replacement is a strategy that allows one to give to the Seventh-day Adventist Church without diminishing the value of the estate.

This strategy eliminates the donors' main objection when it comes time to make a substantial gift:
"Although we may wish to give, we don't want to deprive our children."

Donors make a cash donation, receive tax credits and subscribe to a life insurance policy to replace the money that would normally be part of the estate.

For the estate, a life insurance benefit is **tax free**. In the following example, if the survivor of a couple dies at age 90 (in 35 years), the $200,000 paid tax free to the estate is the equivalent of an investment of $100,000 in a GIC* at an interest rate of 4% (before taxes) over 35 years.

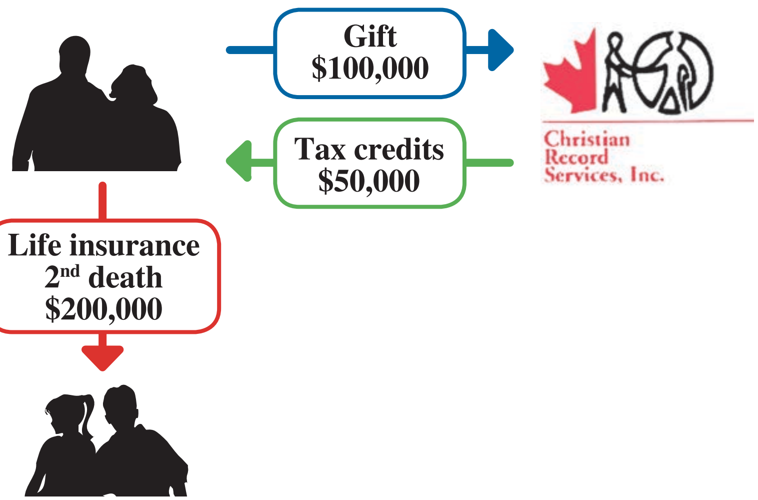
*** Guaranteed income certificate**

Example

John and Mary, 55-year-old Adventists, wish to make a cash gift of **$100,000** to Christian Record Services National Camps for the Blind.

The donors

1. Make a **$100,000** donation to the Charity;
2. Receive tax credits of **$50,000** (50% of the donation);
3. With the **$50,000**, they subscribe to a joint life insurance, payable upon the 2nd death, of **$200,000** with their children as beneficiaries.



Donors can make a large donation **today** and the children will **not be deprived**.

TAX ELIMINATION AT DEATH

A majority of Canadians will pay their largest tax bill upon dying. In fact, according to the tax code, taxpayers' taxable assets are deemed to have been sold on the day before their death.

Registered plans (RRSP, RRIF) are 100% taxable, while 50% of the capital gains on shares, land, real estate and secondary residences are taxable.

A taxpayer may transfer, without tax consequences*, his assets to a surviving spouse. At the spouse's death, all taxable assets are considered to be sold on the day before death.

2.4

As one can imagine, the assessed amount of income taxes to be paid upon death will be substantial for many taxpayers.

In this case, a planned gift is a strategy that allows one to eliminate taxes on taxable assets upon death. There is no way out; upon death, the money must go somewhere: to the government as taxes or to a registered charity as a gift.

*** Thoroughly examine the conditions that allow a tax-free transfer to a spouse.**

Example

William and Martha, 55-year-old Adventists in good health, wish to make a substantial gift at death, to the Seventh-day Adventist Church in Newfoundland and Labrador for Woody Acres Camp, but without depriving their estate.

- They have combined RRSP's of **$400,000**;
- A portfolio of **$1,000,000** (Invested in GIC's* to simplify the example);
- They receive **$100,000 per year** from various pension plans.

2.4

*** Guaranteed investment certificate**

To simplify this example,
the calculations are not discounted.

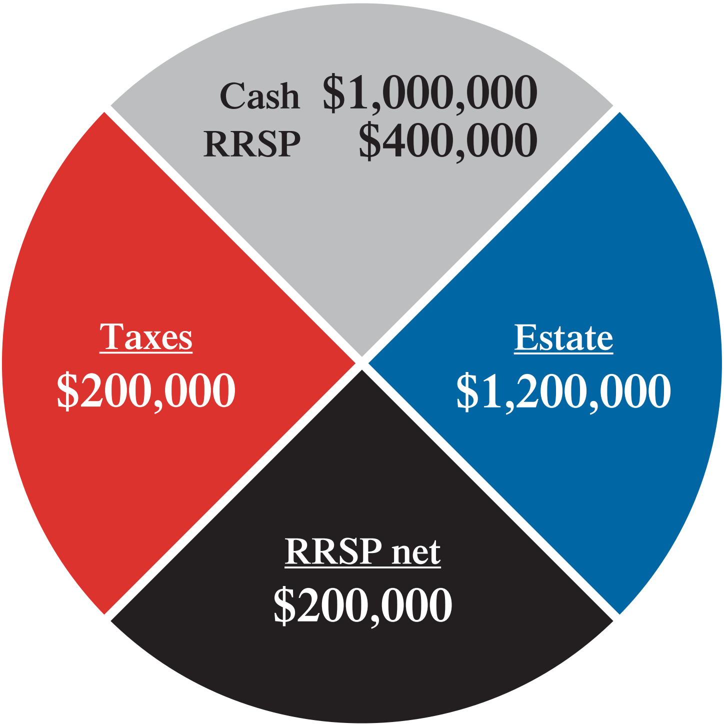
PRESENT SITUATION

To simplify the following, let's suppose that William predeceases Martha, who passes away a short time later. Here's what could happen:

1. The RRSP's are fully taxable, resulting in **$200,000** in taxes to be paid;
2. The after-tax value of the RRSP's is only **$200,000**;
3. The estate receives a portfolio that includes **$1,000,000** in GIC's and **$200,000** in RRSP's for a total of **$1,200,000**.

2.4

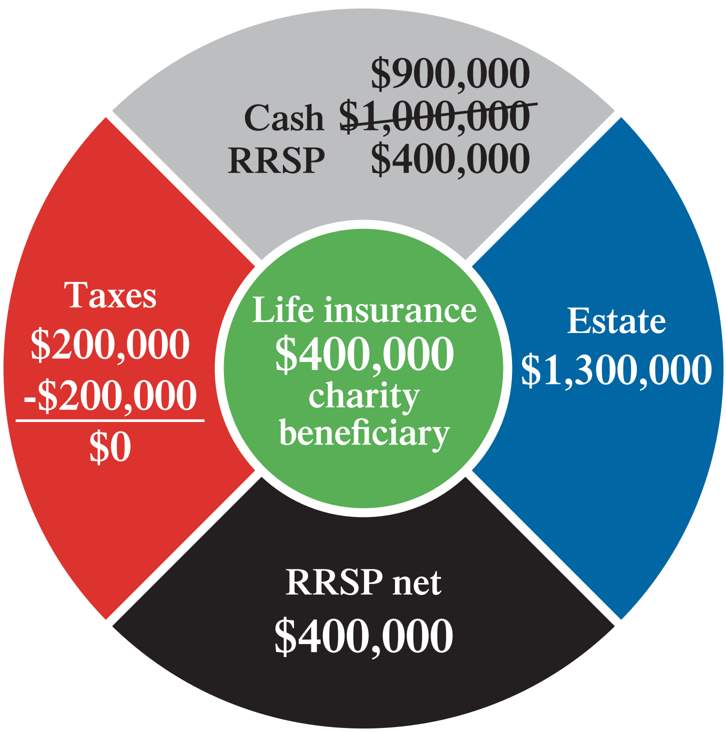
Example (continued)



The estate loses half of the value of the RRSP's in taxes.

1. From their one million, William and Martha keep **$900,000** to generate income;
2. They invest **$100,000** in a joint life insurance policy of **$400,000** payable upon the 2nd death. They are the owners and a charity is the beneficiary;
3. Upon Martha's death, her RRSP's are taxable: **$200,000** in taxes are assessed, but because she made a **$400,000** gift of life insurance, she is allowed 50% in tax credits (**$200,000**), resulting in $0.00 taxes payable;
4. After income tax is calculated, non-refundable tax credits are applied and the RRSP's are still worth **$400,000**;
5. The estate receives a portfolio worth **$900,000** plus the RRSP's **$400,000** for a total of **$1,300,000**.

Example (continued)



Because the charity receives a gift,
the donors do not pay income taxes at death
and the estate is worth more.

2.4

CORPORATE PLANNED GIFT

A corporate planned gift allows management company owners to bequeath their companies **tax-free** to their estate, while making a substantial donation.

The majority of wealthy individuals are management company owners, also known as holding companies.

At the death of a holding company owner, shares are transferred to a spouse tax-free. Upon the spouse's death, the shares are deemed to have been sold on the day before death.

Thus, there are taxes to be paid on the capital gain, a sum that can represent approximately 25% of the holding company's value.

To avoid this kind of fiscal misfortune upon death, there is a way to eliminate these taxes through a planned gift.

Example

Mark and Teresa are 50-year-old Adventists in good health. Mark is the owner of a holding company valued at **$10,000,000**. They wish to make a substantial gift upon death to It Is Written (Canada), and bequeath the company, tax-free, to their estate.

To simplify this example, let's assume that Mark dies this year and Teresa shortly after.

This plan must be developed with the help of a tax specialist. Certain rules may apply that require specific fiscal planning measures to avoid a double-taxation situation. Results may vary according to the types of assets held by the corporation.

PRESENT SITUATION

Upon Teresa's death, the taxes are assessed on the capital gain resulting from the deemed disposition of the holding company's shares.

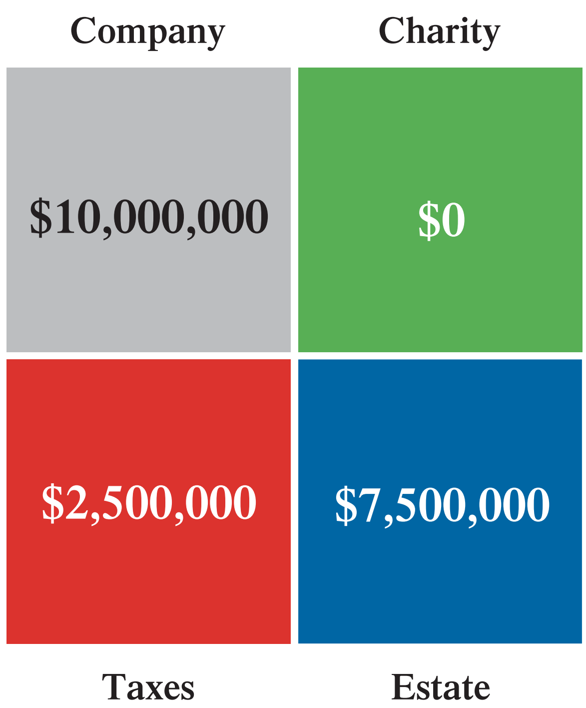
1. The holding company is valued at **$10,000,000**, an amount considered as a capital gain (ACB* = $0);

2. Half of this capital gain (**$5,000,000**) is taxable at a rate of 50% (**$2,500,000**);

3. The estate receives assets valued at **$7,500,000**.

***ACB: Adjusted cost base**

Example (continued)



The estate loses one quarter of its value due to taxes.

1. From the **$10,000,000**, we retain **$9,000,000** to generate revenues;

2. We invest **$1,000,000** in a joint life insurance policy of **$6,000,000**, payable upon the 2nd death. The holding company is the owner and beneficiary of the policy;

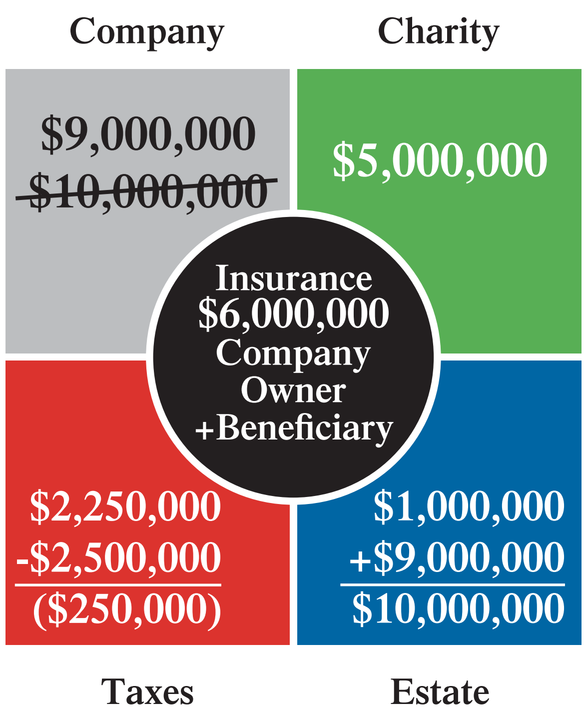
3. Upon Teresa's death, the **$6,000,000** is paid to the holding company. This capital is paid tax-free (special tax benefit) to the estate. Both spouses have identical wills that stipulate that upon the 2nd death, **$5,000,000** will be bequeathed to It Is Written (Canada);

   Thus, there is **$1,000,000** for the estate.

4. There is a **$9,000,000** capital gain, half (**$4,500,000**) is taxable, resulting in a tax bill of **$2,250,000**. But because of the gift of **$5,000,000**, Teresa's estate receives **$2,500,000** in tax credits that eliminates the taxes payable, as well as a supplementary sum of **$250,000** to be applied against other taxes to be paid;

5. The estate receives the holding company valued at **$9,000,000** and the **$1,000,000** insurance for a total value of **$10,000,000**.

Example (continued)



The donors make an important gift,
pay no taxes on the company and the estate
is worth more upon death.

GIFT USING AN ANNUITY

A gift annuity is a financial tool that can be very interesting when used in the situation of a planned gift. Annuities can allow senior donors to make gifts in their lifetime, without compromising their financial security.

Charitable gift annuities are either prescribed annuities or self-insured annuities. Prescribed annuities are purchased from a life insurance company. Self-insured annuities should only be arranged through charities that have specific provincial government authority to issue charitable gift annuities.

We can compare an annuity to a pension fund; we purchase an annuity and, in return, we receive a fixed income **entirely guaranteed** for life.

Example

Mr. Thomas, a 70-year-old retiree in good health, wishes to help his church, but does not wish to reduce his income.

Liquid assets: **$400,000**

Pension fund: **$60,000** per year

Let's take **$200,000** from his portfolio and see how we can help his charity.

Present situation

Bank GIC*, 5 years at 3 %	**$200,000**
Gross revenues	**$6,000**
Income tax (50%)	**$3,000**
Net income	**$3,000**

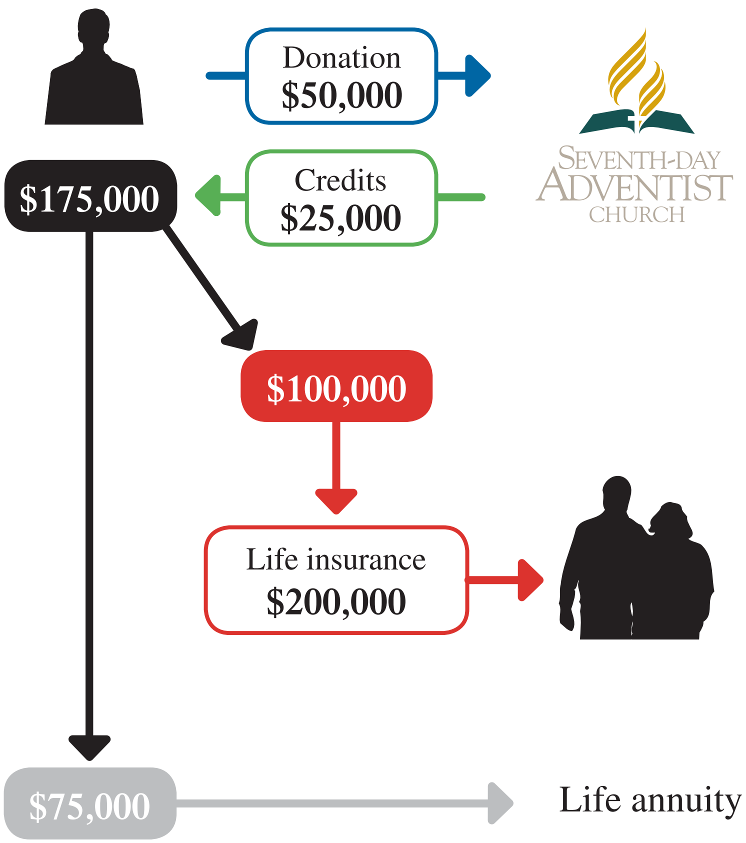
*** Guaranteed income certificate**

2.4

In lieu of investing **$200,000** in a GIC:

1. He makes a donation of **$50,000**;
2. He receives **$25,000** in tax credits;
3. He now has **$175,000** after the transaction (**$200,000 - $50,000 + $25,000**);
4. We replace the capital for the estate with a **$200,000** life insurance policy that costs a single premium of **$100,000** and pays for the entire policy;
5. He subscribes to a prescribed life annuity of **$75,000** that will generate more after-tax income than a GIC.

Example



Gross income		$5,500
Taxable portion	$100	
Income tax (50%)		$50
Net income		$5,450

Mr. Thomas makes an important gift while living and INCREASES his income.

2.4

RRSP TRANSFER AND LIFE INSURANCE

This is a strategy that allows one to make a substantial gift at death from a registered asset.

Example

Joe and Danielle, 65-year-old Christians in good health, have three children. They wish to make a substantial gift upon their death to the Seventh-day Adventist Church in Canada for Native Ministries.

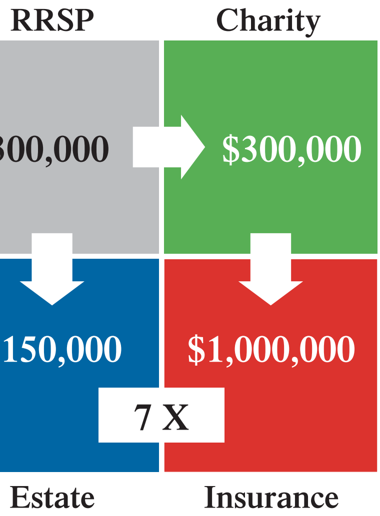
- Combined RRSP's valued at **$500,000**;
- Portfolio valued at **$1,000,000**;
- Income of **$120,000 per year** from pension plans.

They know they do not need their RRSP's to live comfortably.

Let's take **$300,000** from their RRSP's and see how we can help them help their favourite cause.

Note: To simplify this example, these calculations are not discounted.

1. Upon the second death, the RRSP's are entirely taxable. After tax (50%), there remains **$150,000** for the estate;
2. Instead, they transfer **$300,000**, sheltered from tax, to the charity (see the RRSP transfer strategy, page 48);
3. With the **$300,000**, Joe and Danielle subscribe to a joint **$1,000,000** life insurance policy, payable upon the 2nd death. The charity is **owner and beneficiary** of the policy.



With the same assets, they can choose to give **$150,000** more to their estate or **$1,000,000** more to their favourite charity, which is **7 times more.**

2.4

Question No 1

When is the best time to plant an oak tree?
Forty years ago!!! Because after forty years, it measures almost sixty feet high and three feet in diameter.

Question No 2

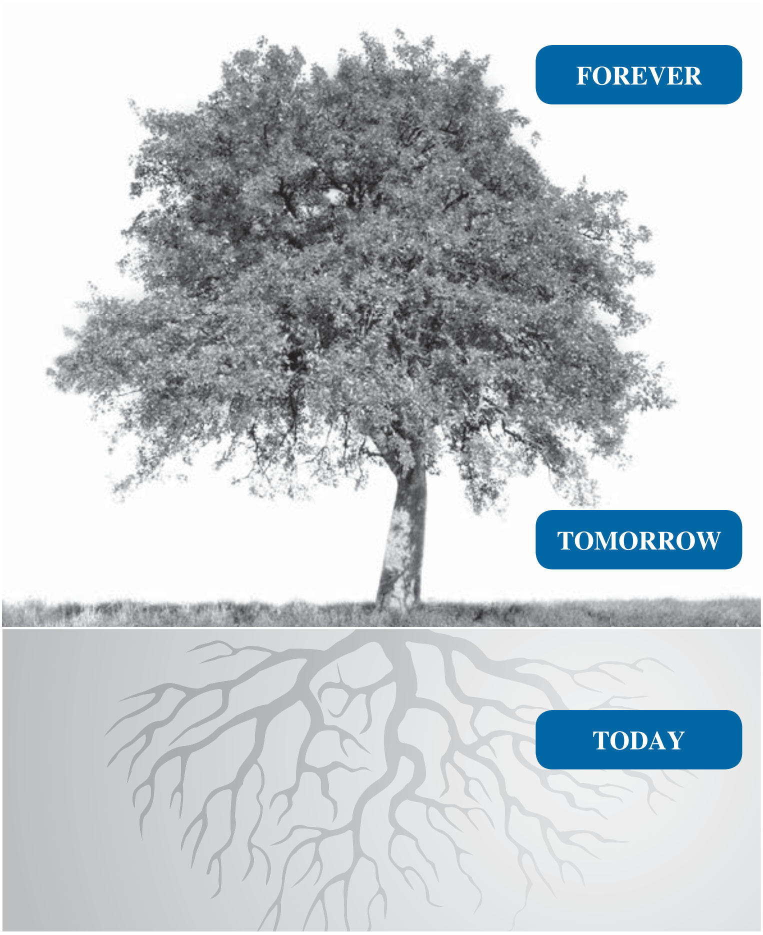
When is the second best time to plant an oak tree?
Today!!!

It is by acting **TODAY** that future generations will have a better tomorrow.

Leave a legacy that will make future generations proud of you and your **ACTIONS**.

With gift planning:

- The **ACTIONS** you take **TODAY**,
- Produce the **CAPITAL** of **TOMORROW**,
- That will generate **REVENUES** **FOREVER**.



3

AFTER THE SEMINAR

When the seminar was over, the friends met at an eatery across the street. Charles looked over at a smiling James and Ann.

"Wonderful!" exclaimed James, "I may be an accountant, but I didn't know half of those strategies. What a seminar! Now I understand why George needed to meet the specialist."

"What do you mean?" asked Charles.

"I also found a scenario that was meant for someone in my situation. It inspired me and I can see myself doing the same."

"Bravo James," exclaimed Charles. "That's exactly the goal of the seminar: to help people realize that they can do the same. I must say that after having spent much time with the speaker, he came to confide in me. He told me that after a seminar, each time he meets donors, they often say the same thing, 'Your seminar was meant for me.' People see the appeal and realize that they can give much more than they ever thought possible."

Turning to Ann, Charles asked, "And you, Ann, what do you think?" Ann, a sad look on her face, was lost in thought.

After a few moments, Lisa asked "Is something wrong?"

Ann said, "I was just thinking how we can remain idle when it's so simple to take action."

"What do you mean?" asked Charles.

"I regret that we didn't attend a seminar sooner. We could have acted earlier. I now believe that the reasons holding me back were senseless. I see how we can help with student scholarships at CUC and with ADRA Canada, always in need of funds. It helps so many less fortunate people."

"What do you have in mind?" asked Charles.

"I've often wondered how we could do more; the problem is that helping more also requires more money," answered Ann. "I already give quite a bit to the church and the food bank where I volunteer. I would have liked to do more, but I always held back; I wanted to leave the children as much money as possible. After listening to the specialist, I see that we

3

can do both; give to charitable organizations without depriving our children. It pleases me enormously."

Bit by bit, the atmosphere lightened.

Seeing that his wife had something in mind, James asked, "What do you think we should do, Ann?"

"I like the capital replacement strategy," she answered. "We already have an insurance policy that will pay for income taxes upon our death. Our retirement income is assured by our pension plans and, with the revenues we receive from our rental building, we live very well."

"You can say that again!" said Lisa. "You're always travelling somewhere…"

3

“Enough with the jokes, Lisa,” said Ann, “You’re not doing so badly yourselves, right?”

“There’s a part of our assets that could be donated immediately and we could use the tax credits to take out a life insurance policy for the children. That way, we could have a scholarship endowment fund and the children wouldn’t lose in the exchange.”

“Did you hear that, my friends?” exclaimed James. “I’m the accountant and she’s the one who thinks of financial strategies. Didn’t I marry a brilliant woman?”

“Brilliant… and generous,” answered Charles.

“Seriously,” replied James, “I find that it’s a great idea. All we need to do is organize everything.”

“Why not get help from the planned giving specialist?” asked Ann. “Charles, didn’t you tell us that he’s an expert in philanthropy?”

"That's right, he's regularly invited by various organizations to explain to donors how to give, but his main role is to advise people on the best strategies to put in place to maximize their donations. He's an expert in philanthropy and, to better advise his donors, he works with tax experts, lawyers* and investment advisors. He also works closely with various registered charities. Together they can answer all the questions: from calculations to documents to be signed with the charities. In the long term, it's important to have one's wishes clearly stated and signed. We're talking about immediate gifts and gifts in perpetuity here like the Americans have been successfully doing for decades."

"Well that's all good, my dear, but we already have a life insurance agent with whom we have dealt in the past," objected James.

"Let's begin by meeting the planned giving specialist and then we'll decide," said Ann. "In my mind, a specialist is a specialist."

*** Notaries in Quebec**

"You're right, we should be guided by an expert."

"Charles, would you please put me in touch with the specialist?" asked Ann.

"His information is in the document he left us."

"Very well," said Ann. "I'll call him Monday morning."

"Perfect!" said Charles. "I'm glad I brought up the subject of planned gifts. Let's follow in George's footsteps."

4

EIGHT MONTHS LATER

"Thank you, James and Ann, for a wonderful initiative! This Education Department scholarship fund will have an impact on the lives of many generations," said the CanadianUniversity College president. "I also hope that your example will inspire other donors to contribute scholarship funds."

On these words, the assembly applauded enthusiastically. On this spring evening, many had taken time to attend the CUC Awards Ceremony.

Donors who were able to attend presented their own scholarships, while awards from donors who could not attend were presented by faculty members or designated relatives who were there. Student recipients were happy and thankful.

"Bravo Mom and Dad!" cried Paula and Max. "We're very proud of you. We were not surprised when you said you were going to fund a teacher education scholarship. After all, Mom got her teacher certification courses here! Julie, Matthew, Anna, bring the flowers to your Grandma and Grandpa."

James and Ann had the feeling of a job well done, of personal accomplishment.

"Congratulations to you both!" said Charles as he handed them a well-deserved glass of punch.

"So, how do you feel?" asked Lisa.

"Very well, thank you," answered Ann before taking a taste. "I feel content after making my planned gift. I feel at peace with myself and have a sense of having done a good thing."

"In any case, we are very proud of you," said Lisa.

"I've already spoken to others," said James, "to a few golf partners who have probably met the specialist by now."

“We have even arranged with the specialist for a presentation to the the Seventh-day Adventist Church in Canada Board of Directors and I think it will bear fruit!” said Ann.

“Can you imagine the results if our people all over Canada learn planned giving strategies?” she continued, “It could mean a lot more donations for helping others and for spreading the gospel.”

“Ann, when you undertake a project, you get involved whole-heartedly. Let me congratulate you.”

“Thank you, Charles, but don’t forget that it all began when you told us about George.”

“Oh yes, our good friend, George,” said Charles.

The four friends clinked their glasses in a toast to George.

They took a sip as they thought of their old friend. It was Ann who spoke first.

“And you, Charles, have you made a planned gift?”

“I believe it’s time to get moving,” he said with a glance at his wife.

“Next Wednesday at 1:00 p.m. the lawyer* is expecting us,” she answered with a smile.

4

*** Notary in Quebec**

A PERSONAL MESSAGE FROM ALAIN LÉVESQUE

And you? What will you do now?

If you have already made a planned gift, congratulations! Tell your friends and encourage them to do the same.

If you are considering the possibility, act now. Meet a gift planning specialist who will guide you and accompany you through the process. He or she will analyze your financial situation and suggest various strategies that will take your generosity to a higher level.

Contact the organization or foundation that you wish to help. Its people will refer you to a specialist.

Whatever the motivation that brings you to make a gift, the optimization of personal, financial and philanthropic results must go through a well-planned process. It's what makes the difference between a planned gift and a **WELL** planned gift.

For more information on our consulting and planning services, please contact us at 1 877 564-8893.

Alain Lévesque

SEVENTH-DAY ADVENTIST APPENDIX

Gifts to Universities Outside Canada

Official Canadian charitable receipts may be issued by universities outside Canada with a student body that ordinarily includes students from Canada, provided these universities have registered with the Canada Revenue Agency and are listed in Schedule VIII of the Income Tax Regulations.

To view a current list of such universities, go to
www.cra-arc.gc.ca/chrts-gvng/qlfd-dns/prscrbdnvrsts-eng.html
or
Google “Prescribed Universities Outside Canada”

Cross-Border Gifts To Canadian Adventist Charities

Americans who wish to have a US tax receipt for their donations to Canadian Adventist registered charities should contact:

Treasury Department, General Conference
of Seventh-day Adventists
12501 Old Columbia Pike, Silver Spring, MD
20904-6600
Attention: Donation Center
Phone: 301 680-6000
Fax: 301 680-6090
www.adventist.org
or
Google: General Conference of Seventh-day Adventists

QUESTIONS???

Please contact your local conference Planned Giving and Trust Services Director, the Seventh-day Adventist Church in Canada Planned Giving and Trust Services Director, your lawyer or attorney, or a professional financial advisor.

Short List Of Canadian Adventist Registered Charities

SEVENTH-DAY ADVENTIST CHURCH IN CANADA
1148 King Street East, Oshawa, ON   L1H 1H8
905 433-0011   www.adventist.ca

ALBERTA CONFERENCE OF THE SEVENTH-DAY ADVENTIST CHURCH, 5820B Highway 2A, Lacombe, AB   T4L 2G5
403 342-5044   www.albertasda.org

SEVENTH-DAY ADVENTIST CHURCH (BRITISH COLUMBIA CONFERENCE), Mailing: Box 1000, Abbotsford, BC   V2S 4P5
Location: 1626 McCallum Road, Abbotsford, BC   V2S 5G4
604 853-5451   www.bcadventist.ca

MANITOBA-SASKATCHEWAN CONFERENCE OF THE SEVENTH-DAY ADVENTIST CHURCH
1004 Victoria Avenue, Saskatoon, SK   S7N 0Z8
306 244-9700   www.mansask.org

MARITIME CONFERENCE OF THE SEVENTH-DAY ADVENTIST CHURCH, 121 Salisbury Road, Moncton, NB   E1E 1A6
506 857-8722   www.maritimesda.com

SEVENTH-DAY ADVENTIST CHURCH IN NEWFOUNDLAND AND LABRADOR, 1041 Topsail Road, Mount Pearl, NL   A1N 5E9
709 745-4051   www.nlsdaconference.org

ONTARIO CONFERENCE OF THE SEVENTH-DAY ADVENTIST CHURCH, 1110 King Street East, Oshawa, ON   L1H 1H8
905 571-1022   www.adventistontario.org

SEVENTH-DAY ADVENTIST CHURCH - QUEBEC CONFERENCE L'EGLISE ADVENTISTE DU SEPTIEME JOUR – FEDERATION DU QUEBEC, 940 Chemin Chambly, Longueuil, QC   J4H 3M3
450 651-5222   www.sdaqc.org

ADRA Canada
1148 King Street East, Oshawa, ON L1H 1H8
905 433-8004 www.adra.ca

CANADIAN UNIVERSITY COLLEGE
5415 College Ave, Lacombe, AB T4L 2E5
403 782-3381 www.cauc.ca

CHRISTIAN RECORD SERVICES
NATIONAL CAMPS FOR THE BLIND
Mailing: 1300 King Street East, Oshawa, ON, L1H 8N9
Location: 115 Clarence Biesenthal Dr., Oshawa, ON L1K 2H5
905 436-6938 www.crsblindservices.ca

IT IS WRITTEN (CANADA) - IL EST ECRIT (CANADA)
95 Clarence Biesenthal Drive, Oshawa, ON L1K 2H5
905 404-6510 www.itiswritten.ca

KINGSWAY COLLEGE
1200 Leland Road, Oshawa, ON L1K 2H4
905 433-1144 www.kingswaycollege.on.ca

PARKVIEW ADVENTIST ACADEMY
5505 College Avenue, Lacombe, AB T4L 2E7
403 782-3381 www.paa.ca

For information on additional Adventist charities in Canada, please telephone the charity directly, Google the specific charity, or Google CRA Charities Listing.

ABOUT THE AUTHOR

Alain Lévesque is the president of DeVimy & Associates, a firm specializing in gift planning and philanthropy.

Speaker and resource person for various foundations, he is known for his methodical thinking and the ease with which he clearly and succinctly explains planned gifts.

Services offered

- Consultation services **for donors** who wish to optimize their gifts;

- Seminars organized **through charitable organizations and foundations,** to explain to their donors various ways of making charitable donations;

- Consultation **with boards of directors** to set up gift planning programs.

To learn more about our services,

Please contact:

DeVimy & Associates Inc.
125, Vimy Street
Sherbrooke, Quebec, J1J 3M6
Tel.: 819 564-8893   Toll free: 1 877 564-8893
www.devimy.com

- What is a planned gift?
- How do we make a planned gift?
- Must we be wealthy to make a planned gift?
- Is it possible to make a gift at death without depriving our beneficiaries?

GEORGE'S TREE WAS WRITTEN FOR YOU WHO WISH TO GIVE AND NEED ANSWERS TO THESE QUESTIONS.

Specialist in gift planning, Alain Lévesque demystifies many preconceived notions on the subject of philanthropy. Through George's story, he clearly reveals, with the help of precise and easily understood examples, various ways to make charitable donations.

HIS STRATEGIES ARE AVAILABLE TO EVERYONE

George's story is an inspiring example for Canadians who wish to leave a lasting legacy to society.

This book and its lessons will forever alter your view of philanthropy by having you discover how easy it is to give to causes close to your heart.

Alain Lévesque is the president of DeVimy & Associates Inc., a firm specialized in gift planning and philanthropy.

Mr Lévesque is a member of the Association of Fundraising Professionals (AFP) and the Canadian Association of Gift Planners (CAGP). He is recognized in Canada as a professional and dynamic speaker and is unmatched in clarifying complex concepts.

He describes his work as follows:
"I help people accomplish their philanthropic dreams."

DeVimy
& Associates
Philanthropy - Gift Planning
www.devimy.com