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ESTATEPLANNING

Accidental Philanthropy™

From Success to Significance

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Welcome to my 101st article in The TaxLetter®. These articles share wealth preservation and tax minimization strategies drawn from 30 years of professional practice helping successful business owners, affluent families, retirees, and professionals.

Most people understand the importance of budgeting and investing. "Planning" is quite different, it's about preserving what you have, maximizing your income and minimizing the tax bite. It's not how much you make – it's how much you keep.

We focus on:

1. Estate Planning: ensuring the financial architecture you started with years ago still holds true today and taking steps to get properly aligned with current goals and objectives.

2. Tax Minimization: specializing in strategies to preserve more for your family and/or favourite charity.

3. Philanthropy: helping to create enduring legacies, often by converting taxes into charity.

The most emotionally rewarding aspect of our work with clients involves helping them transition from "success" to "significance".

In early 2020, before the true extent of the COVID plague was known, we announced an audacious corporate goal of creating $100 million of new charity annually. Those funds would come from working with our clients, major donors of non-profits and charities and collaborating with allied professionals such as accountants, lawyers and other insurance advisors to provide them with the intricate but crucial knowledge of being a gatekeeper to their clients. We didn't reach our goal of $100 million, but we did create slightly over $61 million by December 31.

The Accidental Philanthropist

In most of these situations we created "Accidental Philanthropists™" – people who may have known they had accumulated considerable assets during their lifetimes but had little understanding that they will have more money when they die than what they have today.

Those "custodians" or" trustees" of family wealth for future generations also don't realize the Canada Revenue Agency (CRA) is their 'partner' on that money. And they don't know they can choose just 2 of 3 possible beneficiaries: CRA, family or charity. Most people pick family and charity, and that is why we call them "Accidental Philanthropists™". They become philanthropists when given the opportunity to leave money to charity and family instead of the tax department.

Mark Halpern is a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP), Master Financial Advisor - Philanthropy (MFA-P) and one of Canada's top life insurance advisors. He is CEO of WEALTHinsurance.com® and illnessPROTECTION.com®, with special expertise for business owners, entrepreneurs, medical professionals and high-net worth individuals and their families. He can be reached at 416-364-2929, toll-free at 866-566-2001 or mark@WEALTHinsurance.com.

8 types of people most likely to become Accidental Philanthropists™

1. Widows, Divorcees or Singles. Most don't know that without proper planning their assets will be highly taxed (at 25 – 70 percent) when they die. In Ontario, for example, their $1 million RRSP or RRIF will shrink to $460,000 because there is no spouse to roll everything over to tax-free.

2. People who sold (or will be selling) a business or investment real estate or appreciated securities will face a large tax bill. That is the year they can make their largest charitable donation to offset the taxes and still get all the donated money back to their family

3. People who have done (or will be doing) an Estate Freeze. They can donate private company shares to reduce taxes by 90 per cent, create a substantial charitable legacy and get money out of their company on a tax-free basis for children and grandchildren.

4. People with a Foundation or Donor Advised Fund (DAF). Most do not know that Life Insurance can be purchased, owned, and paid for using Foundation or DAF funds.

5. People who already left a gift in their will. There are better strategies available to amplify their generosity in a more cost-efficient and tax-efficient manner.

6. People with a large tax bill due in April who have appreciated non-registered securities. Convert taxes due into charity by depositing appreciated securities (or cash) into a Foundation or DAF. Pay no capital gains taxes and use the charitable receipt to offset current taxes due. The donated money is now a legacy fund, professionally invested, and available for future giving.

7. People With Existing Life Insurance Policies They No Longer Need. Donate permanent or term insurance policies to get a significant charitable tax receipt for fair market value to offset taxes. Continue to pay premiums to get donation receipts each year or have the charity pay the premiums on your behalf.

8. People Who Will Have An Estate Tax Bill On Death. Acquire a Life Insurance Policy for twice the amount of taxes due. Designate charity or DAF as beneficiary. Donation receipt mitigates estate taxes, at a cost of pennies per dollar.

Two examples of Accidental Philanthropists™:

Big-Hearted Cardiologist

A 55-year-old doctor client wanted to cancel some redundant life insurance he no longer needed. We suggested he donate the policy to four charities he was passionate about. Southlake Regional Health Centre Foundation published a two-page feature article about him. Another recipient, The Jewish Foundation of Greater Toronto, recognized his generosity at their annual Book of Life event that honoured him as one of "24 Philanthropists of the Year". Last year, six of the honourees were my clients. (Charities are becoming more adept at how they honour donors, with recognition programs that encourage and inspire others to make planned legacy gifts in addition to current gifts).

Stock-Picking Academic

A divorced woman in her 70s attended my "Ted Talk" titled The New Philanthropy (http://bit.ly/MarkHalpernTalk) at Moses Znaimer's ideacity conference.

She contacted me afterwards to seek our help and share her story. Her net worth was $10 million – or so she thought. I had to explain that she was worth only $6.5 million (not $10 million) because she was 'pregnant' with $1 million of capital gains tax liabilities on a non-registered investment portfolio and a $2.5 million tax liability that will become due on her RRIFs when she passes, because no spousal roll-over was available.

I explained that with proper planning she could indeed leave $10 million to her family, AND $3 million to charity, and nothing to the CRA. She became another Accidental Philanthropist™.

Onwards and upwards

I do a lot of public speaking and seminars for associations, financial professionals, legal and accounting firms, independent advisors, and insurance companies, because strategic philanthropy is not incorporated (yet) into most professional practices. Typically, at the end of my presentations, attendees step forward to ask how they can become involved. In just the last few months, more than a dozen like-minded individuals and firms stepped forward to participate in our $100-million goal.

We have now upped our goal to $1 Billion – yes, you read that correctly - $1 Billion.

We are now assembling a national community of at least 100 estate planners, professional insurance advisors, accountants, lawyers, non-profits, and other allied professionals, each committed to creating $10 million of planned gifts annually. That's $1 Billion a year.

Please contact us to get involved.

More than 20 better ways

Generous people usually give to charity using cash, check or credit card, the least tax-efficient ways to give. We have identified more than 20 better ways for people to be generous in the most cost-efficient and tax-friendly way. (Donating appreciated securities or mutual funds is just one of them. This way, capital gains taxes don't apply, and donor gets a tax receipt for the entire market value of the donation).

We have also identified 15 core Life Insurance strategies to create transformational gifts that can make a major difference in people's lives. Please contact us to get PDF copies those one-pagers.

One of the main tools we use is tax-exempt Life Insurance. Its a product many people have heard of, but very few understand the many ways it can work. Used properly, it works magic when applied to Philanthropy.

Cash is a Putter, Life Insurance is a Driver

Brothers Mel and Marc each donate $5,000 annually to their favourite charities. Mel uses his credit card. Marc pays the $5,000 annual premium on the $500,000 Life Insurance policy he donated. To use a golf analogy (forgive me), Mel is throwing a golf ball by hand for a total distance of 100 feet. Marc uses a golf club driver to hit his ball 350 yards. Same objective - same cost - much better results.

In the coming months I look forward to sharing more philanthropic ideas with you.

In the meantime, please don't hesitate to contact us for a complimentary no-obligation consultation. Our advisors across Canada are available to help you get the peace of mind that comes from knowing your planning is in order. ❏

Mark Halpern is one of Canada's top life insurance advisors, a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP), Master Financial Advisor-Philanthropy (MFA-P) and CEO of WEALTHinsurance.com

He guides successful business owners, professionals, and affluent families through the complex process of ensuring the people and organizations they care about are taken care of. If you are like his other clients, you are looking to reduce your tax obligations, preserve your wealth and leave a legacy.

Mark collaborates with your professional advisory team to achieve your desired outcomes. His simple approach makes sure what is important to you gets done. He will suggest appropriate strategies to get your financial affairs meticulously organized, help you take action, and simplify the complicated so you and your family can rest easy.

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Get your FREE Estate Planning Toolkit at WEALTHinsurance.com/toolkits.html

The 2021 Toolkit now includes:

-Estate Directory
-Estate Planning Checklist
-Executor Duties Checklist
-Business Owners Planning Guide

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Please visit our new website WEALTHinsurance.com

Watch "The New Philanthropy", my recent "Ted Talk" at Moses Znaimer's ideacity conference http://bit.ly/MarkHalpern

Mark's corporate goal is the creation of $100 million in new charity each year working with clients, generous donors of non-profits and collaborating with allied professionals.