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ESTATEPLANNING

Blended Charitable Gifts

More Than Generous

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Philanthropy is very important to me, personally and professionally. There's a Hebrew word *tzedakah* that's part of our DNA at WEALTHinsurance.com. It's often translated as "charity," but it more accurately reflects "righteousness" and "justice." I believe that when we're successful, we have a responsibility to help others. And your name does not have to be Warren Buffet or Jeff Bezos to give big.

So, we've set an ambitious charitable goal: to create \$100 million a year in new charitable donations by partnering with clients, charities and allied pro-

fessionals. At the same time, we're working to expand our charitable footprint beyond our firm by building a network of 100 professionals and charities who want to set \$10 million a year as a goal of their own.

That's our \$1 billion legacy planned giving campaign and we're confident we can get there. One way we'll do it is by employing creative strategies, such as blended gifts, that help charities and donors meet their objectives more efficiently and effectively without having to "find" more to give.

Why legacy planned giving is important

I sit on the professional advisory boards of many organizations such as the Hospital for Sick Children, St. Michael's Hospital, St. Joseph's Health Centre, TVO and the Jewish Foundation of Greater Toronto. Charities have a unique challenge: they under-

standably prioritize current gifts to keep the lights on and projects running. But these are priorities that often lead to the neglect of longer-term planning.

Capital campaigns every few years can help charities catch up on funding shortfalls or focus on special projects – but I'm talking about even longer-term planning. Legacy planned giving – arranging cost-effective, tax-effective bequests – satisfies donors' desire to make a substantial philanthropic difference. It's also an essential but often overlooked part of a charity's strategic efforts.

There are several reasons why charities may be reluctant to embark on a legacy planned giving campaign. Their resources may be stretched thin (what charity's resources aren't?) and they may not have staff to dedicate to this work. They may not have in-house expertise and may worry that they lack the technical skills to have meaningful conversations with clients.

Often, the biggest barrier is fear. Charities are often reluctant to engage in conversations about future gifts, concerned that donors will dial down current gifts – something charities certainly don't want to risk.

The genuine risk is failing to have these conversations with major donors. For example, a charity in California that our associate firm in the U.S. Tamar Fink out of Minneapolis, Minnesota, worked with lost two of its largest donors within an 18-

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month period. They waited patiently for a call from the donors' lawyers to tell them about a bequest in the wills – but the calls never came. Why? Those generous donors were never asked to establish a legacy planned gift.

How blended gifts work

Essentially, blended gifts allow charities to approach major donors, thank them for their partnership, and propose a legacy-building strategic plan – with no additional financial commitment by the donor.

With a blended gift, donors split the amount of their current donations to a charity into two parts. The largest part continues as before, providing an annual sum the charity can count on to fund its good work. A smaller amount is carved off and applied to a permanent, limited-pay Life Insurance policy that will ultimately benefit the charity and create a significant charitable legacy for the donor.

For example, let's assume a donor is in the habit of generously giving \$50,000 a year to a specific charity. With the same out-of-pocket expense, the donor could take a different tack over the next 10 years to enhance his or her charitable impact. Specifically, the donor continues providing 80 per cent (\$40,000) directly to the charity and uses the remaining 20 per cent (\$10,000) to pay premiums on a participating whole Life Insurance policy that names the charity as owner and beneficiary. The premiums for the policy are considered charitable donations and the donor continues to receive a charitable receipt to offset current taxes.

After 10 years, the policy will be paid up and the donor can resume directly contributing \$50,000 a year to the charity. The seeds will be planted for, perhaps, a \$500,000 lump sum future gift to the charity after the donor's death. And, of course, if \$10,000 a year can buy a \$500,000 legacy, each additional \$10,000 can enable the donor to have a bigger incremental impact – with none of these affecting bequests to the family through the will.

Structured properly, the policy can even provide value to the charity during the donor's lifetime. Participating whole Life Insurance policies produce a dividend every year that the charity can use to generate cash flow. The charity can even borrow against the cash surrender value of the policy. Think of it like borrowing against the equity in a home. With a portfolio of policies, a charity with a time-sensitive project can access these loans, act immediately, and then replace the funds through fundraising.

Charities often hesitate before asking donors to consider a blended gift, because they worry about losing 20 per cent of a substantial annual gift for 10 years. However, the long-term benefit is substantially greater than the short-term reduction in cash flow. And, in my experience, 9 out of 10 donors who hear about this strategy maintain their original annual gift AND purchase the Life Insurance as an additional contribution to a cause they believe in.

In fact, blended gifts can create even stronger partnerships between donors and the charities they support. Some U.S. studies

have found that when donors incorporate a charity in their estate plan, their average annual gifts increase by approximately 40 per cent.

We support with blended gifts

To help charities implement legacy planned giving campaigns, including blended-gift initiatives, we deliver presentations regularly to charity executives and foundation boards. With the right information and internal champions, all charities can build their financial resources through these types of programs.

We also participate in major donor events, in person and through online webinars, to educate donors about their opportunity to convert taxes to charity and move from success to significance with proper planning. We also help with educational content and materials that charities and foundations can use to communicate with their supporters.

The charities we work with often recommend that donors speak with us when they are considering a larger gift because we can help structure it in the most cost and tax-effective man-

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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.

ner to create a more significant gift with the same amount, or less money. There are many less costly ways to give to charity versus giving cash, cheques and credit cards. Contact us for a copy of our one pager “More Than 20 Ways To Be Generous.”


Adopt The Charity

While charity truly does begin at home, we enjoy explaining to donors that, far from disinherit their children, building a charitable legacy enables them to adopt the charities they care about and disinherit the tax department.

We're passionate about facilitating philanthropy in ways that

maximize donor impact, allowing charities to accomplish more of their valuable work.

Are you a charity, a donor or a like-minded financial professional interested in joining our \$1 Billion legacy planned giving campaign? Please visit <https://wealthinsurance.com/billion.php> and get in touch.

Our advisors across Canada are available to help you preserve your estate for your family and the causes you care about, often by converting taxes to charity. We look forward to helping you. 

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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The 2022 Toolkit now includes:

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

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