

# The TaxLetter®

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Your Guide to Tax-Saving Strategies

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## ESTATEPLANNING

### *Will Power*

# There's A Will There's A Way

Mark Halpern CFP, TEP, MFA-P

We love philanthropy and we love estate planning. Sitting squarely between the two is one of the most powerful tools at your disposal to do both: your last will and testament. It becomes greater when combined with your desire to go from success to significance by creating a legacy for your family and the charities that matter most to you.

A lot of people have learned about this from working with us, but it still bears repeating. That is, if you have a large estate tax bill coming due, as is

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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](mailto:mark@WEALTHinsurance.com).

likely the case when you die, one of the very best ways you can head it off is to donate the amount you might pay in taxes to a charity instead. Rule of thumb: every \$2 that you give to charity will save you \$1 in taxes AND receipts for charitable donations at death can mitigate 100% of estate taxes and can even be used to go back one year and save even more taxes. Thank you CRA.

This is an exciting time for Canada's philanthropy community as people across the country are beginning to learn about this concept through a national program called Will Power. The program is modeled after another in the United Kingdom which aimed to increase the number of people who planned to leave some of their wealth to charity in their will. They did this because very few (only 5 per

cent) of all people who already had wills were even considering the thought of leaving a donation to charity in their will. To improve that number, non-profit organizations banded together and bought retail advertising – television, radio, online and outdoor bus shelters – to deliver a very simple and elegant message: Leave a gift to charity in your will. Short and sweet.

At the end of 10 years, the number of people leaving gifts to charities increased to 9 per cent which represents an additional \$50 billion in charitable gifts!

The Canadian Association of Gift Planners (CAGP) recently launched a national campaign for Will Power with similarly ambitious objectives. We couldn't be happier. Their timing couldn't be better, either. Here's why: It's taken a global pandemic for people to become more aware of their mortality and their incompleteness such as not having an up to date will, powers of attorney, tax planning and life insurance in place. They are also more willing than ever to complete an estate directory and discuss with family members their philanthropic intentions. Get our free Estate Planning Toolkit, details at the end of this article.

What makes us particularly excited is the fact that creating a will and planning a charitable bequest in your will – just as you might be doing right now – is a gateway or first step towards

more comprehensive estate planning. Once we undertake this work for clients, the transformation is dramatic. People feel more organized and confident knowing that everything is looked after properly. And then they are ready to look at bigger estate planning questions like converting taxes into charity. The Will Power campaign is important because it makes people aware that there is planning to be done. I know from experience that wills are essential. My late father, of blessed memory, died of a sudden heart attack at age 50. There was no will, little savings, and no life insurance. I was 11, the youngest of 4 boys. My late mother, OBM, was 48 at the time, and forced to re-join the workforce to support us.

Most people have done investing (playing offence). They know accumulation, but they haven't done any planning (playing defense). Planning is very different; it centers on preservation. Take, for example, the 80-year-old widow who discovered that her \$10 million investment portfolio was going to be worth only \$6.5 million after the Canada Revenue Agency takes their cut of her final estate. In another instance we had to inform a client that their \$50 million estate would be worth \$35 million if they didn't do any planning to pay the taxes owing when they die.

In both cases, we applied our expertise drawn from 30 years of experience and knowledge of taxes, estate planning and insurance to address, to reduce tax liabilities and provide funds to pay all taxes that were coming due. If you would like a headline example, consider Aretha Franklin's

estate. Because she didn't prepare correctly, 45 per cent of all the revenues her estate receives from now on will go to pay off her tax liabilities. The long and surprising list of celebrities and wealthy non-celebrities who died without a will is staggering. Read my July 2001 TaxLetter® article "No Will, Bad News". In addition to Philanthropy, the Will Power campaign is a natural catalyst for wealth preservation and tax minimization strategies. I was very excited about it while it was still a concept in development, and have been a program supporter, sponsor and ambassador from the start. There are two big benefits that will come from the Will Power campaign. First, it will get people thinking about wealth and charity, which is wonderful. It will also lead people to think more about estate planning and family. The program will bring attention and more money into the charitable sector. At the same time, this type of planning will result in more money that's ultimately left to Canadian families too as families can look at "adopting" a charity. The Will Power program will help us create more Accidental Philanthropists™, those who've come to learn that they can leave money to charity and to family instead of to the tax department.

Read "Accidental Philanthropy™, From Success To Significance" my TaxLetter® article from June 2021.


Your estate can be paid out to three possible beneficiaries, your family, the charities you designate, and the Canada Revenue Agency. With proper planning you can choose two of those. People become Acciden-

tal Philanthropists™ when they are given the opportunity to leave more money to charity and family. The fact of the matter is that most people are going to be worth a lot more when they die than they are worth today. They are custodians of wealth for future generations. Without proper planning, their assets will be highly taxed when they die. Those who will have a large estate tax bill on death, however, could plan and possibly acquire a life insurance policy for twice the amount they will owe. If they designate a charity or a donor-advised fund as the beneficiary, the donation receipt can mitigate all the estate taxes owing, at a cost of pennies per dollar.

We prepared a one pager that analyzes the after-tax cost of a donation using a variety of payment methods like cash, appreciated stock, flow-through shares, etc. Donating Life Insurance costs as little as 12 cents per dollar. Contact us to obtain a copy of our analysis. The thing is, it's important to do this planning now, while the sun is shining and we're all still here to enjoy it. We can use the money that you aren't ever going to use (we call it 'never spend money') to purchase a tax-exempt life insurance policy to benefit your family and the causes you are passionate about, or both. Read "Permanent Tax-Exempt Life Insurance" my TaxLetter® article from November 2020. The gifts we can plan are significant too. Would you prefer to donate \$5,000 a year in cash, or would it make more sense to use that same amount to fund a \$1,000,000 life insurance policy with the charity as the owner

and named as the beneficiary? The \$5,000 insurance premium is considered a charitable donation and receives a charitable receipt. Or you can pay the premium, without a receipt, and name the charity beneficiary of the \$1,000,000 death benefit to create a \$1 million charitable receipt which would offset \$500,000 of estate taxes. But you can't do both. There is no cookie cutter as every situation is unique. Estate planning is a process (not an event) that provides a timely opportunity for you to transition from success to significance. The impact of your generosity can make a real difference in the lives and causes you are passionate about, while inspiring your own future generations.

Contact us for a complimen-

tary, no-obligation consultation if this planning appeals to you. Our experienced advisors across Canada are available to help you realize your philanthropic ambitions and obtain the peace of mind that comes from knowing your affairs are in order. 

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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.

Mark can be reached at 416-364-2929, toll-free at 1-866-566-2001 or [Mark@WEALTHinsurance.com](mailto:Mark@WEALTHinsurance.com)

Get your FREE Estate Planning Toolkit at [WEALTHinsurance.com/toolkits.html](http://WEALTHinsurance.com/toolkits.html)

The 2021 Toolkit now includes:

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

Visit [WEALTHinsurance.com](http://WEALTHinsurance.com) and sign up for free updates.

Please visit our new website  
[WEALTHinsurance.com](http://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.