CPP Philanthropy™ Charitable Giving and Tax Savings

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Family. Business. Legacy.

You don't have to be rich and famous to leave a substantial charitable gift and enjoy significant tax savings.

You may not need your monthly Canada Pension Plan (CPP) benefits to pay your bills. That money only gets taxed, re-invested and then taxed again.

The CPP Philanthropy™ strategy uses your CPP benefits to fund a permanent life insurance policy, creating a substantial windfall for your family and the causes you care about.

A Recent Case:

Husband and wife, both 65, each receive $1,100/monthly in CPP benefits, for a total of about $26,000 a year. They live in Ontario and pay tax at the highest marginal tax rate, 54%.

Strategy #1: Life Insurance Policy Owned Personally, Tax Savings Later
Use the CPP benefits to pay the premiums on a joint-and-last-to-die life insurance policy for $1.4 million. The charity, as beneficiary, will receive the insurance payout on the death of the second spouse. Their estate will receive a donation receipt for $1.4 million and save the family about $700,000 in taxes.

Strategy #2: Life Insurance Policy Owned by Charity, Tax Savings Now
As above, create a charitable gift of $1.4 million using joint-and-last-to-die life insurance, this time with the charity as owner and beneficiary of the policy. Use the CPP benefit to pay the policy premiums and receive an annual charitable donation receipt of $26,000, mitigating the tax payable on the pension benefit and replacing it with a large gift.

Strategy #3: Donate RRSP/RRIF By Will or Beneficiary Designation
RRSP/RRIF will be fully taxed as income (at up to 54 per cent in Ontario) on the second death. A $1-million RRSP/RRIF will only be worth approximately $460,000 to their family, after taxes.

This strategy designates a charity as beneficiary of the RRSP/RRIF, which mitigates the RRSP/RRIF taxes.
To replace the $460,000 that would have gone to the family, use some of the CPP benefit to fund a $500,000 life insurance policy to fund the tax liability, or use the entire CPP benefit to purchase a $1.4 million joint-last-to-die insurance policy, with the family/estate as the beneficiary.
On the second death, the life insurance policy pays out $1.4 million tax-free to the family. This represents an additional $940,000 for the family (compared to $460,000) and a large gift to charity.

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Aside from compelling financial metrics, you will demonstrate and teach by example the importance of charitable giving.

That's real legacy planning for your children and future generations. Please contact us for a no-obligation consultation.

Philanthropy is our passion.

We'd love to help.

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