



THE ACCIDENTAL PHILANTHROPIST
MARK HALPERN

Strategic Philanthropy Using Life Insurance Just Got Easier

BY MARK HALPERN, CFP, TEP, MFA-P

Strategic Philanthropy and the use of Life Insurance has been spoken about for a very long time, but it remains a narrow niche within the financial planning community. Accountants, lawyers, insurance advisors and estate planning professionals have set a brilliant standard doing amazing tax planning for clients up to a certain point — but there's a whole shelf above that planning using Strategic Philanthropy that is not understood and is largely ignored as it seen as too complex.

Mark Halpern, CFP, TEP, MFA-P

We've been addressing that for many years with our strong focus on educating professionals, affluent families, and business owners about how to incorporate Strategic Philanthropy into clients and donors' estate planning. So that's why I was excited when Canada Life approached me to help advise them on the development of a new Life Insurance product created specifically to meet the needs of charities, donors, and professional advisors.

That product by Canada Life — called My Par Gift™ — became available for purchase on April 3, 2023, and it has the potential to help many more people take advantage of Strategic Philanthropy and Life Insurance opportunities. It's a permanent Life Insurance policy purchased with a single premium, with the donor as the insured person and the charity as the owner and beneficiary.

The charity immediately issues a donation tax receipt for the entire premium amount, which the donor can use to offset up to 75 percent of their annual net taxable income. It also provides with the ability to create a legacy gift of 5-20 times the net value of their one time premium!

The charity receives something of much greater value than what's written on that donation tax receipt: the promise of a significantly larger payment on the donor's death and the ability to create a cash flow for the charity during their lifetime.

Meeting charities' needs

In addition to speaking with advisors like me who are specialists in the Philanthropy and Life Insurance space, Canada Life consulted extensively with charities to find out what they were looking for from a Life Insurance gift.

What they heard was that insurance policies donated to charities often have ongoing premium commitments. If the donor stops paying those premiums, what was meant to be a gift can become a liability with the charity forced to step in to pay the premiums and prevent the policy from lapsing. That's not an issue

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with Canada Life My Par Gift™ because the donor pays the full cost of the insurance upfront with a single premium.

Charities also told Canada Life they need flexibility to meet pressing immediate needs, as well as long-term needs. The way Canada Life My Par Gift™ is structured means the charity can choose whether to use potential dividends to grow the policy value and cash value or to take that money out as cash to use if for any purpose. In addition, the charity enjoys flexibility to access the cash surrender value (CSV) — though this will decrease the death benefit.

As Vikram Malik, Canada's Life's Vice President, Par Pricing & Special Initiatives puts it, “When donors are looking to make a planned gift, they're looking for an opportunity to have an impact and to leave a legacy — and insurance can grow that impact and maximize that legacy. But the issue is that, for charities, it can create some complexities and challenges, and that's been a barrier in the past. A product like this simplifies the experience for charities and professional advisors.”

Overcoming barriers and pain points

Canada Life took a lot of time to understand barriers for charities, donors and professionals, and I shared my thoughts on specific pain points from onboarding through to delivering the death benefit. All of this helped them define the value proposition for the new product and, through an iterative process, streamline every aspect of its design.

“This was not something that was developed inside the four walls of an insurance company,” Vikram explains. “It was a very interesting journey to identify that there was a problem, and then to start to learn more about the problem and the challenges, and then to put forth solutions in conjunction with the advisors, specialists and charities in this space.”

This consultative approach was critical because only a small number of advisors regularly apply Life Insurance in service of Strategic Philanthropy and Estate Planning or made it a core part of their business. Many don't. For them, I'm hopeful that Canada Life My Par Gift™ breaks down barriers like complexity, enabling them to offer an elegant, simple solution to clients with philanthropic objectives.

“We want advisors to engage with clients on philanthropy discussions, and traditionally that hasn't happened in an insurance conversation because of the complexity” Vikram adds. “Canada Life My Par Gift™ really opens up new conversations and new opportunities, especially because we've set the minimum premium amount (or minimum donation amount) at \$10,000 so it's really accessible for the mass affluent.”

Doing well, doing good

What excites me about Canada Life My Par Gift™ first and foremost, is the opportunity for the insurance industry to do more to have a positive social impact. It's promoting awareness of charitable giving, of planned giving, and the product itself is a vehicle to facilitate the transfer of wealth for social purposes.

I discovered years ago that Strategic Philanthropy and Life Insurance is a

wonderful opportunity to combine doing well with doing good. We've set an ambitious objective within our practice to create \$1 billion per year for charities by creating a national community of 100 other allied professionals and charities who want to strive to create \$10 million a year in new legacy gifts to charity. It's like crowdfunding and makes \$1 billion and more a year very much within reach. Imagine the social impact we can all have on an already stressed charitable industry.

Canada Life My Par Gift™ will play a role in helping us attain that ambitious objective. It's a game-changer for the insurance and philanthropy market because most people in Canada still don't realize that you can use Life Insurance for philanthropy — that, in fact, Life Insurance is one of the most cost-effective and tax-effective ways to

support a charity you care about. Now, with a one-and-done payment of as little as \$10,000 for donors aged 18 to 75, it's easy to leverage this powerful tool in a way that makes sense for charities, donors, and professional advisors.


Of course, many other strategies are available as well, including solutions that combine different products to create customized solutions for affluent families and business owners with specific needs and goals.

It's important to know that charitable donations on death can be used to mitigate up to 100 percent of estate tax owing, and the receipt can even be used for the year prior to death. That means for every \$2 donated to charity at death, \$1 of tax is saved. So imagine an estate with a tax bill of \$1 million. By donating

a \$2 million Life Insurance policy payable on death to a charity, donor advised fund or private foundation, that \$1 million of tax now becomes \$1 million of charity, created in a very cost and tax-efficient way using Life Insurance and other planning strategies.

There's also the option of donating an existing permanent Life Insurance policy that is no longer needed or converting a soon-to-expire term Life Insurance policy into permanent Life Insurance, with no medical evidence required, and donating that. Actuarial values (the amount of the charitable tax receipt) are typically in the range of 30 percent to 60 percent of the policy face amount based on health and life expectancy of the insured, so these no-longer-needed policies can be transformed into very meaningful

charitable donations.

We enjoy developing just the right approach for each situation, so please reach out and let's collaborate. We are working with over 60 charities already to help them with their planned legacy giving. It's a specialized field that hopefully with Canada Life's My Par Gift™, will get more charities and professionals to become engaged in this very meaningful area of client and donor planning. 

MARK HALPERN is a well-known CFP, TEP, MFA-P (Certified Financial Planner, Trust & Estate Practitioner, Master Financial Advisor — Philanthropy). He was honoured to speak in the Disruptors Category at Moses Znaimer's most recent ideacity conference. His talk generated high interest and comments. Watch "The New Philanthropy" at bit.ly/MarkHalpernTalk. Learn more at www.wealthinsurance.com. He writes this column exclusively for each issue of *Foundation Magazine*.

An Appetite for Evolution: The Paradox


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reporting and instead embraced giving with no strings attached."

My final thoughts

In my pursuit to better understand how I can evolve as a professional and how best respond to the ever-changing needs of our sector, I looked for inspirations that can help us profoundly shape our philanthropy today. In my opinion, the previously mentioned author's examples illustrate how we must remain responsive to key contributors as we develop partnerships because each contributor has the potential to influence fundamentally the work we do in the charitable sector. If the profession of fundraising is to evolve, we need to seek inspiration through various partnerships to succeed.

Three different women, reviewing donor behaviours in different countries each illustrated current challenges as well as ways these challenges can inspire us. E.R. Heisman (USA), N. Hives (Canada) and L. Stanley (UK) all provide great insight for us to use partnerships to help challenge traditional philanthropic practices and evolve.

I must agree with Jean-Marc Mangin president and CEO of *Philanthropic Foundations Canada* who said: "In the midst of every crisis, there are opportunities." 

KATHLEEN A. PROVOST, CFRE is currently the Director, Campaign Initiatives at St. Francis Xavier University, in Antigonish, NS. She brings over 25 years of fundraising experience within the charitable sector. She has been a Certified Fundraising Executive (CFRE) since 2007, and a long-time member and volunteer for the Association of Fundraising Professionals (AFP). As a recognized leader, Kathleen has tailored presentations and workshops for French and English audiences at various events including AFP-Nova Scotia, AFP-Ottawa, AFP-National Congress, Coady International Institute and the Canadian Council for the Advancement of Education. Kathleen is a McGill University graduate and holds a Master, Adult Education from St. Francis Xavier University. She has received numerous recognitions during her career, including the Queen Elizabeth II Diamond Jubilee Medal for her contributions to the charitable sector and 2021 Fundraiser of the Year in Nova Scotia. She writes this column exclusively for each issue of *Foundation Magazine*.

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