

# The TaxLetter®

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Your Guide to Tax-Saving Strategies

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## ESTATEPLANNING

### Strategic Philanthropy

# My Par Gift™

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*TaxLetter*® readers know that Strategic Philanthropy and the use of Life Insurance is my professional passion, though 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 is viewed as too complex.

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We've been addressing that for many years in this publication, 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, taxpayers, and professional advisors.

That product by Canada Life - called My Par Gift™ - became available for purchase on April 3, 2023, and 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.

### How It Works

The charity immediately issues a donation tax receipt for the entire premium amount, which the donor can use to offset up to 75 per cent of their annual net taxable income. It also provides 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 laps-

ing. That's not an issue 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 that they need flexibility to meet pressing immediate needs, as well as long-term needs. The policy structure allows the charity to choose whether to use potential dividends to grow the policy value and cash value or to take that money out as cash to use for any purpose. In addition, the charity enjoys the flexibility of accessing 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. I shared my thoughts on specific pain points from onboarding 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 the service of Strategic Philanthropy and Estate Planning or make 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 clients on philanthropy discussions. 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 and of planned giving. 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, namely 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.

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 dif-

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.

ferent 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 per cent of estate tax owing, and that 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 Insur-

ance policy into permanent Life Insurance, with no medical evidence required, and donating it. Actuarial values (the amount of the charitable tax receipt) are typically in the range of 30 per cent to 60 per cent of the policy face amount based on the health and life expectancy of the insured. Consequently, these no-longer-needed policies can be transformed into very meaningful charitable donations.

### **Not A Do-It-Yourself Project**

We enjoy developing just the right approach for each situation, so please reach out for help. We are currently working with more than 60 charities to help them with their planned legacy giving. If you are a taxpayer, charity or professional advisor, please don't hesitate to contact us for a no-obligation conversation. We look forward to helping more people, and get-

ting more charities and like-minded professionals engaged in this very meaningful area of client and donor planning. 

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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)

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