



LIFE
INSURANCE

PLANNED GIVING

Advisor Guide





PLANNED DONATION THROUGH LIFE INSURANCE

Advisor Guide

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1. In brief

What is the definition of a planned donation?

A planned donation is a donation whereby the individual makes a commitment regarding a bequest that will be made later. It enables the donor to make a significant donation through a modest annual contribution.

Who can make a planned donation?

Any person, business, foundation, or other organization.

For what type of donation can the donor benefit from tax advantages?

All types of eligible donations, but more specifically life insurance.

What is the main type of donation through life insurance?

Take out life insurance whose beneficiary will be a registered charity or other organization.

How does one donate through life insurance?

- By designating the beneficiary (by will or in the policy);
- By assigning a new or existing contract.

What advantages does the donor derive from giving through life insurance?

- A significant donation can be made in exchange for small premium payments.
- It optimizes the donor's federal and provincial tax credits.
- It does not affect any already acquired estate (family property) that the donor wishes to bequeath to his or her loved ones.
- It offers the donor the choice of organization that best meets his or her values.
- It offers the possibility to choose various options suited to the donor's financial situation.
- The donation is paid directly to the organization, with no administration or estate settlement fees and is protected from creditors or any legal challenge.
- The donation can remain confidential.
- It is a good strategy for relatively young people, as the premiums are affordable.

What type of insurance can be proposed when taking out to a new policy?

A traditional, universal or participating life insurance policy such as AXIS, GENESIS, EquiBuild or iA PAR, can be offered.

2. Introduction

In recent years, government budget cuts have had a significant impact on the amount of money allocated to registered charities, while the demand for their services continues to grow.

To compensate for this situation, charities must turn to new sources of funding. To help them in their efforts and to compensate for the direct assistance previously provided, our governments have modified certain tax policies to make donations to charities more attractive.

This makes it more attractive for taxpayers to be generous with charities. This is an ideal opportunity to raise awareness around philanthropy and to encourage potential donors to contribute to the quality of life around them.

In Canada, it is projected that over the next few decades, there will be an intergenerational transfer of money in the order of **\$1 trillion dollars**.

Charities are counting on this transfer of money to make up for the shortfall in government funding. In this regard, they hope to receive the support of financial advisors to make their clients aware of the giving opportunities available to them.

3. Planned Donation

What is a planned donation?

The term "planned donation" refers to any charitable donation that is subject to financial, tax or estate planning before it is made.

Planned donation is a donation whereby a donor¹ makes a commitment regarding a bequest that will be made later. It enables the donor to make a significant donation through a modest annual contribution.

A planned donation lets your clients establish the easiest and most appropriate way to give to a registered charity through various relatively unknown methods, without affecting their quality of life or that of their loved ones.

What is the principle of a donation through life insurance?

Taking out life insurance whose beneficiary or owner will be a registered charity or other organization or assigning an existing policy to such an organization.

Who can make a planned donation?

Any person, business, foundation, or other organization.

What are the most widely used types of planned donations that offer tax advantages from both levels of government?

- Donation by will
- **Donation of life insurance**
- Donation of securities
- Charitable donation annuity
- Charitable remainder trust
- Donation of certain property as prescribed under the *Income Tax Act* (cultural gifts, eco-sensitive products, publicly traded shares)

This guide only covers donations of life insurance.

¹ Donor: the individual, corporation, foundation or other organizations that make the donation.
Qualified donee: the organization that receives the donation.

4. Donations made through life insurance

There are two ways to give a life insurance policy as a donation.

4.1 By beneficiary designation (by will or in the policy)

- The donor takes out a life insurance policy.
- The donor retains ownership of the policy during his lifetime and can change the beneficiary and access the surrender value.
- The donation of the death benefit is specified in the will or policy.
- The insurance amount is not part of the estate.
- The donor will receive a tax credit for the entire face amount when he/she dies. The donor cannot benefit from tax credits while he or she is alive.

The beneficiary of the death benefit is the one designated in the most recent document, either the will or the policy. However, if an irrevocable beneficiary was named, the donor cannot modify the beneficiary (by will or in the policy) without the irrevocable beneficiary's written consent.

4.2 By assigning a new contract* or an existing contract

- The donor takes out a life insurance policy.
- After issue, the donor assigns the contract to the registered charity.
- The donor receives a tax credit for the annual premium paid.
- At death, the organization receives the life insurance proceeds, but there is no tax relief at that time.
- Possibility of quick payment with paid-up life insurance.
- Possibility of also assigning an existing contract.

***IT IS IMPORTANT TO REMEMBER THAT:**

Registered charities must incur expenses that represent at least 80% of the donations for which they issued receipts the previous year. THERE ARE HOWEVER EXCEPTIONS FOR CERTAIN TYPES OF DONATIONS.

For a donation of life insurance, the policy can be exempted as long as the organization is provided with what is known as a "ten-year stipulation letter" at the same time as the donation of the policy. An example of such a letter is included in the appendices to this document.

IT IS THEREFORE IMPERATIVE THAT YOUR CLIENTS PROVIDE SUCH A LETTER TO THE REGISTERED CHARITY WHEN THE **CONTRACT IS ASSIGNED TO THE ORGANIZATION (see Appendix I).**

You will find, in Appendix V, examples of letters that can be used by both the donor and the qualified donee to officialize their agreement.

5. The advantages of a donation through life insurance

The donation of life insurance is gaining in popularity. It is a very different approach to what we usually see as donations.

This type of donation unequivocally contains several advantages for the donor and the qualified donee.

5.1 Advantages for the donor

- A significant donation can be made in exchange for small premium payments.
- It optimizes the donor's tax credits with the federal and provincial governments.
- It does not affect any previously acquired estate (family property) that the donor wishes to bequeath to his or her loved ones.
- It offers the possibility to choose various options suited to the donor's financial situation.
- It offers the donor the choice of organization that best meets his or her values.
- The donation is paid directly to the organization, with no administration or estate settlement fees and is protected from creditors or any legal challenge.
- The donation can remain confidential.
- It is a good strategy for relatively young people, as the premiums are affordable.

5.2 Advantages for the qualified donee

- It provides long-time financing.
- At death, it guarantees the tax-free payment of substantial amounts.
- It allows for the bequeathed amounts to be paid quickly when the organization is the beneficiary of the insurance contract.
- It provides a legacy that cannot be challenged.
- It is easy to administer.

6. Tax treatment for planned donations

The tax treatment for planned donations is of direct benefit to both the donor and the qualified donee. Depending on the type of donation, it is possible to benefit from an immediate or deferred tax credit. Your client's choice will be guided, in large part, by his or her desire to benefit from these advantages during his or her lifetime or to pass them on to his or her heirs upon death.

6.1 Tax advantages

Tax advantages of assigning the contract (while living):

- Taking out a new life insurance policy: By naming the organization policyowner and beneficiary of this new policy, the donor receives tax credits corresponding to the premiums paid.
- Transferring from an existing policy: By naming the organization policyowner beneficiary, the donor receives a tax credit for the policy's surrender value in addition to the future premiums that will be paid. However, there may be a tax impact when the policy is assigned if the surrender value exceeds the adjusted cost basis.

The tax advantages of the beneficiary designation (at death):

- Choice of beneficiary: If the organization is named beneficiary of a life insurance policy (in the policy or by will), the estate will be able to claim a tax credit that corresponds to the death benefit in the deceased's tax return.

6.2 Tax credit for an individual (in 2022)

| Credit as a percentage of the basic amount or actual payment (subject to certain restrictions and to change without notice) | | |
|--|---------------|---------------|
| Jurisdiction/Province | First \$200 | Over \$200 |
| Federal | 15.00% | 29.00% |
| Alberta | 10.00% | 21.00% |
| British Columbia | 5.06% | 14.70% |
| Manitoba | 10.80% | 17.40% |
| New Brunswick | 9.68% | 17.95% |
| Newfoundland and Labrador | 8.70% | 18.30% |
| Northwest Territories | 5.90% | 14.05% |
| Nova Scotia | 8.79% | 21.00% |
| Nunavut | 4.00% | 11.15% |
| Ontario | 5.05% | 11.16% |
| Prince Edward Island | 9.80% | 16.70% |
| Quebec | 20.00% | 24.00% |
| Saskatchewan | 10.75% | 14.75% |
| Yukon | 6.40% | 12.80% |

Federal:

When the donor has a taxable income of more than \$221,708 (amount for the 2022 taxation year), the donation credit can be as high as 33%. The donor will benefit from a tax credit of 33% on the lesser of:

- The amount of the donation exceeding \$200
- The amount of taxable income exceeding \$221,708 (in 2022).

Quebec:

When the donor has a taxable income of more than \$112,655 (amount for the 2022 taxation year), the donation credit can be as high as 25.75%. The donor will benefit from a tax credit of 25.75% on the lesser of:

- The amount of the donation exceeding \$200
- The amount of taxable income exceeding \$112,655 (in 2022).

Federal and Quebec:

The total eligible donations in the year cannot exceed 75% of the net income on both levels of government. The excess amount can however be deferred over the next five years. The limit for charitable donations that can be deducted in the year of death and the year immediately preceding death is equal to 100% of the deceased's net income.

Examples of the tax credit calculation for an individual are available in Appendix II.

6.3 Deduction by a corporation

A corporation can deduct from its taxable income the value of donations made to a registered charity during the year up to 75% of the net income on both a federal and provincial level.

When a company cannot deduct all the donations that it made during a year because they exceed the eligible maximum, the balance can be deferred over the next five years (20 years in Quebec).

Generally speaking, and based on its status, the company will realize a variable tax saving depending on its tax rate.

7. Your clients and donation planning

Several people play an important role in planned donations:

- The donor (the person making the donation);
- The qualified donee (the receiving organization);
- The financial advisor (the expert who coordinates the file);
- The levels of government (the tax implications).

7.1 The donor

The donor needs to assess what this type of giving evokes and what causes are of greater interest to them. The first and most important step in setting up planned donations is:

CHOOSING A CAUSE

An example of a cause can be:

- Health
- Education
- Scientific research
- Culture
- The environment
- Poverty
- Religion

Once the cause is chosen, it is up to you to help the donor determine HOW AND HOW MUCH to give. In this regard, the donation of a life insurance policy is the best way for donors with modest incomes to make substantial donations to charities, since it allows the value of the donation to be multiplied (three to five times).

There are several steps in deploying the adopted strategy. The client must:

- check if the organization is registered;
- obtain information about the selected organization;
- advise loved ones of their intention;
- assess their financial situation;
- determine how much they want to bequeath;
- determine if the existing insurance contract or a new policy will be used;
- determine their preference with respect to the tax advantages (before or after death);
- confirm the choice and make a donation using life insurance through a will, by beneficiary designation or assignment of a contract.

Appendix III contains a more detailed checklist that is made available to the advisor and client. We recommend that you keep a few copies of this checklist to offer your client during your meeting.

Points to consider when taking out a new policy

- It is possible to take out a traditional, universal or participating insurance policy, such as:
 - AXIS (L10, L15 Ultra, L20, L65 and L100)
 - GENESIS
 - EquiBuild
 - iA PAR (Estate or Wealth)
- Even though the donor can pay the premiums during his or her lifetime, it is preferable to choose quick payment options (10 years for example) since:
 - The donor will hesitate to agree to pay premiums until his or her death;
 - The registered charity will want to ensure that the policy will not lapse.
- For the annual amounts deposited in the policy, the donor will receive a tax credit according to the previously mentioned criteria.
- It is also possible, but yet not recommended, to take out a term life insurance since there is a high risk that the policy may lapse before the donor's death. In that case, the qualified donee will not benefit from the advantages of planned donations.

7.2 The qualified donee

Major points to consider for the qualified donee:

- The qualified donee or organization must be registered with the Canada Revenue Agency;
- The qualified donee must strictly comply with the rules in effect or risk having their registration revoked;
- It is also important for the qualified donee to produce the right information statement when a donation is made by a donor.

Since the donor is making a commitment now to a bequest that will be made later, it is important to find a solution to the dual objectives of the parties involved since the primary concern of the qualified donee is to ensure that the policy remains in force for the term of the contract.

7.3 The financial advisor

The financial advisor plays a very important role in guiding and realizing the philanthropic vision of their clients. You need to conduct a thorough analysis of the needs and goals of your clients who wish to make planned donations through life insurance, so that you can offer a personal approach, adapted to each client's financial situation and to ensure their success.

- Specify your client's interest in and connection to the causes or organizations involved in planned donations.
- Identify your client's preferred causes.
- Establish your client's preferences and wishes with respect to planned donations.
- Identify your client's civil and marital status.
- Establish your client's obligations, both contractual and informal, to those around him/her.
- Define strategies for preserving the family estate.

- It is essential, when setting up a major gift such as a planned donation, to ensure that the heirs are not prejudiced. Strongly encourage your client to discuss the matter with his or her family to avoid any dispute at the time of death.
- Analyze the situation in the event of a death to assess the legal, tax and financial implications and the consequences for the family.
- Determine the most appropriate life insurance product.
- Make sure your client has the information about the chosen organization or certain points concerning it or the relevant documents when the time comes to finalize the life insurance contract.

Appendix IV contains a more detailed checklist for the advisor that summarizes these steps. We recommend that you keep a few copies of this checklist to guide you when you meet your clients.

Why not talk to your client about it?

Remember that everyone has a cause that is dear to them and that is the key element that will help you to convince this individual to implement a planned donation. By helping a client bring his or her philanthropic vision to life, the advisor is doing what he does best—find creative solutions for this client and allow objectives to be reached.

When an advisor introduces a client to the range of planned donation options, they are helping the philanthropist in everyone to come forward. Advisors are sometimes reluctant to discuss planned donations with their clients because doing so feels like asking a client to make a charitable donation. Some prefer to wait for the client to raise the issue themselves. To put an end to this dilemma, consider that planned donations can be one of the key components of comprehensive planning.

By being proactive, advisors can strengthen their relationships with their clients, build client loyalty and reinforce their perception of the quality of their services and community awareness. With the growing importance of giving in Canada, an advisor who fails to educate his or her clients on the benefits of planned donations risks being left behind by a competitor.

It's important to determine what might prompt your clients to make a planned donation decision. People rarely make this decision simply because an organization needs money. They usually make this type of donation when they are writing their will or planning their estate.

However, the idea of planning is often inspired by significant or life-altering events: a marriage, divorce, remarriage, or the arrival of a child (or grandchildren), the death of a loved one... events that occur throughout our lives.

To whom should you offer your help?

All of your clients may wish to pass on their values through a charitable bequest. That said, here are the types of people who are most likely to want to make such donation.

Profile of potential donors

- They adhere to the organization's mission and trust its directors.
- They have sufficient means.
- They agree to meet you in your capacity as a planned donation advisor.
- They are willing to give and discuss the subject.

To organizations (charity, institutions, churches, etc.)

- Offer them your services.
- Leave the necessary information on site (brochure, posters, business cards) where it is accessible to potential donors.
- The organization may be inclined to provide you with a list of donors who might be interested in donating a life insurance policy. Promoting planned donation among a group of donors who share certain characteristics may make your job easier.

When is it best to bring up the topic of charitable donations?

Your clients will be particularly inclined to discuss the personal advantages of a charitable donation when they have to make major commercial, personal and financial decisions:

- estate planning;
- drafting or revising a will;
- sale of a business or other property of considerable value;
- retirement planning;
- unexpectedly coming into a considerable amount, such as an inheritance, merger or acquisition);
- illness, death of a spouse, child or parent.

These are usually pivotal events that cause people to take an interest in financial planning or to review their financial planning arrangements. The following situations are ideal for engaging your clients in a discussion about their financial planning and the benefits of charitable giving.

- Your client informs you that he or she is on the verge of selling his or her business through an initial public offering on the stock market or wants to transfer ownership of his or her family business to their children.
- Your client has learnt that if he or she bequeaths a rich retirement fund to his or her heirs, they will only be entitled to a fraction of the total amount.
- Your client informs you that he or she would like to provide funds to support a mother, sister, niece or other family members.
- Your client informs you that he or she wants to draw more income from a personal stock portfolio but is worried about the taxes that will incur on the capital gains realized through the disposition of shares.

How do you bring up the subject of philanthropy with your clients?

Attempt to zero-in on your clients' values and aspirations.

- Do they already make charitable donations?
- Do they want the donation to continue after their death?
- Do they hesitate to donate out of fear that they won't have enough money for their retirement or to bequeath to their children?
- Would they be interested in evaluating the solutions available to them to further grow their money, which would allow them to make donations to the causes and/or organizations that are dear to them?

Get your clients to think about the legacy they want to leave to the next generation.

- When drafting or revising a will, add the question of donations to the list of points that you usually bring up with your clients.

- To prepare for your meeting, give your client a list of the subjects to be discussed, including charitable donations. Your client will be able to think about it in advance, and you will have brought up the subject..
- Bring up the subject of donations so as to obtain a well-thought answer rather than a reaction. Use one of the following openings:
 - People who have played an active role in the community often decide to leave a donation to a registered charity through their will as a way to share their success with less fortunate people, to thank an organization that has marked their life or to make their city a good place to live. Have you ever considered the possibility of making a donation through your will? Have you ever considered the possibility of making a donation through your will?
 - There are also tax reasons to make a charitable donation. It is highly likely that due to income tax payable, your estate will be reduced by a considerable amount. A charitable donation can alleviate this tax burden, which could benefit your heirs and the community.
 - Did you know that under the *Income Tax Act*, you do not have to pay taxes on the capital gains resulting from the disposition of stocks, investment funds or segregated funds that have grown in value if you bequeath them to a registered charity?

If your client appears interested, but is not inclined to make an immediate decision, you can suggest that he insert a donation by will clause in his will and leave it blank for the time being, giving him the opportunity to complete it later. When he reads the draft of his will, he will have the possibility to reflect and discuss it with his family or other advisors. Your client will also have the possibility to find out about registered charities or consult his community foundation about local needs, interesting initiatives and possible beneficiaries.

Why bring up the subject of charitable donations?

Your clients want to find out more about the choices available to them and expect their advisor to help them establish innovative financial plans that meet the needs of their family and friends, reduce their tax burden and reflect their values. When the time comes to plan the transfer of their property to the next generation, more and more people are considering charitable donations due to the personal and financial advantages they provide.

- A charitable donation can offer considerable tax advantages, in the year the donation is made and at their death. Your clients may not realize this.
- The donation often provides a great feeling of accomplishment and satisfaction. Your clients could be very grateful for having brought up the subject and allowing them to fulfil this philanthropic need.
- The fact that a client has never mentioned his interest in charitable donations may result from a bad experience or a lack of information. You can inform him of the range of choices available, with no obligation on his part.
- Your clients may believe they don't have sufficient resources to make a charitable donation. You can show them numerous types of donations adapted to their personal and financial situation.
- You live and work in this community. This is an opportunity to help your clients and improve the quality of life of those around you.

One of the easiest and most important things to do to help your clients benefit from a planned donation is to talk to them about it: "Would you be interested in supporting certain charitable or community causes?"

7.4 The governments

Governments contribute almost 50% to this initiative, by granting substantial tax deductions or credits, thus reducing the donor's tax bill immediately or at death, depending on the type of planning involved in the planned donation.

8. Ten good reasons to talk about philanthropy

At the end of the 1990s, *The Philanthropic Initiative*, an American philanthropic consulting firm, conducted a study among advisors to determine the reasons that incite them to talk philanthropy to their clients and how they bring it up. Here are the main reasons invoked.

1. It's good for society, it's good for your community, it's good for your clients, it's good for your business and it's good for you.
2. A large number of your clients are seeking efficient ways to share their success with their community, honour the memory of a loved one or simply "do good". You can help them reach their objectives in a way that will give you a certain personal satisfaction.
3. Discuss philanthropy with your clients should be done with diplomacy, respecting their private life, their values and their freedom of choice. You should know however that you are in the best position to bring up the subject.
4. By enhancing the range of services that you offer your clients, you gain their trust, which increases their satisfaction with you and your professional services.
5. You broaden your skills.
6. More potential clients will hear your name: an excellent way to grow your clientele.
7. You reconcile love of your profession and your willingness to improve the quality of life in your region.
8. Through your efforts, it will be possible to meet major social needs and improve the quality of life and dynamism of your community—a heritage whose positive effects will extend to future generations;
9. You will be part of a support network made up of advisors that share your vision are ready to offer time and skills.
10. With experience, it will become easier to discuss philanthropy with your clients.

Adaptation of an excerpt of *Doing Well by Doing Good*, published by The Philanthropic Initiative (TPI) in June 2000.



APPENDIX I | Sample letter—Assignment of contract to the organization

Date

Addressee: Registered charity
Address

Subject: Donation of policy no.: xxxxx of the company to: Name of the registered charity (hereinafter referred to as the "organization")

It is understood that this donation is subject to the following conditions:

- 1) During my lifetime and for the next X years (or for my whole life), I will give to the organization the amount of \$XXX per year, which shall be used to provision the above-mentioned life insurance contract.
- 2) The organization will be both policyholder and policyowner.
- 3) It is the organization's responsibility to properly manage the funds invested in the contract (if applicable).
- 4) The amount remitted as a donation indicated in paragraph 1, the life insurance contract and any related proceeds or any asset substituted for these assets, must be held by the organization for a period of at least ten years.

SIGNED in _____ on _____
City Date

Donor signature

Witness signature

Donor name

Witness name

Donor's address

Signature of the organization representative

Witness signature

Name of the organization representative

Witness name

Registration no. _____

c.c.: Financial Advisor

APPENDIX II | Example of an individual tax credit calculation

QUEBEC

Donation amount: \$600

| Federal | Tax credit | Total |
|--------------------------------------|---------------------|-----------------|
| First \$200 | 12.53% ² | \$25.05 |
| Over \$200 | 24.22% ³ | \$96.86 |
| Federal total: | | \$121.91 |
| Provincial | | |
| First \$200 | 20% | \$40 |
| Over \$200 | 24% ⁴ | \$96 |
| Provincial total: | | \$136 |
| Total combined credit: | | \$257.91 |
| % of the combined tax credit: | | 42.99% |
| Net cost of donation: | | \$342.09 |

ONTARIO

Donation amount: \$600

| Federal | Tax credit | Total |
|--------------------------------------|------------------|-----------------|
| First \$200 | 15% | \$30 |
| Over \$200 | 29% ³ | \$116 |
| Federal total: | | \$146 |
| Provincial | | |
| First \$200 | 5.05% | 11.16% |
| Over \$200 | 11.16% | \$44.64 |
| Provincial total: | | \$56.74 |
| Total combined credit: | | \$202.74 |
| % of the combined tax credit: | | 33.79% |
| Net cost of donation: | | \$397.26 |

BRITISH COLUMBIA

Donation amount: \$600

| Federal | Tax credit | Total |
|--------------------------------------|------------------|-----------------|
| First \$200 | 15% | \$30 |
| Over \$200 | 29% ³ | \$116 |
| Federal total: | | \$146 |
| Provincial | | |
| First \$200 | 5.06% | 14.70% |
| Over \$200 | 14.7% | \$58.80 |
| Provincial total: | | \$70.90 |
| Total combined credit: | | \$216.90 |
| % of the combined tax credit: | | 36.15% |
| Net cost of donation: | | \$383.10 |

² These calculations account for the Quebec abatement provided under the federal-provincial fiscal arrangement..

³ These calculations account for a taxable income threshold of less than \$221,708 (threshold for 2022) for the year. If the donor's taxable income is more than \$221,708 for the year, the federal tax credit rate could reach 33% (27.56% in Quebec taking into account the abatement).

⁴ If the donor's taxable income is more than \$112,655, the Quebec tax credit rate could reach 25.75%.

APPENDIX III | Donor checklist

Planned donation: A simple, efficient, tax-effective way to show your generosity

Planned donations are a generous way to contribute to the well-being of society by ensuring the continuity and development of the organizations that benefit from this type of funding.

It's important to ensure that you receive the proper information and support when considering a planned donation, because this process involves certain details that require the collaboration of a financial advisor. This expert is an indispensable partner who can guide you in making the right choices to achieve your objectives.

If you're considering a planned donation, it's important to first assess what this type of donation means to you, and the causes in which you are most interested. Below are a few simple questions to help you narrow down your options.

- Have you received aid from a particular organization through planned donations in the past?
 - Yes
 - No
- Have you done volunteer work in the past?
 - Yes
 - No
- Is there a particular cause that is especially important to you out of those listed below?
 - Health
 - Medical research
 - Education
 - Arts and culture
 - The environment
 - Religion
 - Community and humanitarian services
 - International aid and development
 - Sports
 - The elderly
 - Children
 - Women
 - Ethnic groups
 - Youth
 - Political parties
 - Other, specify _____
- Do you want to help one organization, or more than one?
 - One
 - More than one

Once you have chosen a cause or an organization, your advisor will help you determine the best strategy to use and will help you implement that strategy.

— To do

—

- Check with the Canada Revenue Agency that the organization is a registered charity.
- Ensure that you obtain the following information regarding the selected organization in order to avoid any problems at the time of your death.
 - Organization brochures, periodicals
 - The organization's mission
 - The types of donations that are accepted
 - The official and complete name of the organization
 - The registration number
 - The contact information for the organization and its officers
 - The issuance of receipts for tax purposes
 - The availability of financial statements
 - The management of funds created for planned donations
- Evaluate your financial situation:
 - Summarize your income, expenses, debt and the value of your assets (home, investments, etc.).
- Notify your loved ones of your intentions
- Determine the amount that you would like to bequeath
- Decide whether to use your life insurance contract or to take out a new policy
- Confirm your choice to donate through life insurance (by will, beneficiary designation, contract assignment)
- Identify your preference with respect to the tax advantages. Would you like to receive the tax advantages during your lifetime or have them go to your estate at the time of your death?

Now that you have completed the process, it's time to implement the careful choices you've made in cooperation with your financial advisor.

You've made a remarkable gesture and your contribution will allow the organization you've selected to continue playing an important role in the well-being of the community.

APPENDIX IV | Checklist for financial advisors

Planned donations—A financial strategy that benefits the community

Planned donations through life insurance require careful financial planning.

Your ability to offer a multidisciplinary approach by looking at the big picture is a distinguishing value from a financial standpoint. When a client wants to make a planned donation through life insurance, you should carry out a complete analysis of his needs and objectives so that you can suggest a personalized approach, based on this client's financial situation, to ensure that he achieves his goals.

Here is a checklist that will help you guide your client through the process.

Specify your client's interest in and connection to the causes or organizations involved in planned donations.

- Has he or she received aid from a particular organization?
- Is/was he or she involved as a volunteer?
- Does he or she have any preferred cause(s)?

Identify your client's charitable interests:

- International aid and development;
- Arts and culture
- Education
- The environment
- Religion
- Health
- Community and humanitarian services
- Other (specify): _____

Determine your client's preferences and wishes with respect to planned donations:

- He or she wants to give to one or more than one cause
- He or she wants to consolidate his donations
- The number and value of annual donations
- He or she wants tax savings:
 - Determine his or her tax status and evaluate the taxation rate and the means at his or her disposal for reducing the tax burden.
 - Is it preferable for him or her to receive the tax benefits from planned donations during his or her lifetime or at the time of death in order to relieve the tax burden on his or her heirs?
- Define your client's civil and marital status.
- Identify his obligations, both contractual and informal, toward other people.
- Define the family patrimony preservation strategies.

It is essential, when setting up a major gift such as a planned donation, to ensure that the heirs are not prejudiced. Strongly encourage your client to discuss the matter with his or her family to avoid any dispute at the time of death.
- Analyze the situation in the event of a death in order to assess the legal, tax and financial consequences, and to measure the impact on the family.
- Determine the most appropriate life insurance product:
 - Should your client use an existing life insurance contract or take out a new one?
 - Should he name the organization as the beneficiary?



When the time comes to finalize the life insurance contract, make sure your client has the following information or documents regarding the organization he has selected.

- The contact information for the organization and its officers
- The registration number
- The issuance of income tax receipts
- The availability of financial statements
- Management of the funds created for the planned donations
- The organization's mission
- The types of donations that are accepted
- Organization brochures and periodicals

APPENDIX V | Letters — Charitable Donations

Charitable donations (A)

Donor-acquired Life Insurance Policy Donor continues to make premium payments

INSTRUCTIONS

A. The following specimens should be made available to a policyholder and the charity when:

(i) the policyholder intends to donate a life insurance policy that he or she holds with Industrial Alliance, Insurance and Financial Services Inc. (“iA Financial Group”) to a registered charity or a qualified donee within the meaning of the *Income Tax Act* (Canada); and

(ii) the policyholder shall continue to make premium payments directly to iA Financial Group.

B. The following samples must be signed before or at the time the donation is made.

DISCLAIMER

The following specimens titled “Donor’s direction to the Charity” and “Request to donor to pay premiums directly to Industrial Alliance, Insurance and Financial Services Inc. (iA Financial Group)” have been prepared only as an illustration of the documentation which might be used in the event of a charitable donation of donor-acquired life insurance policy where the donor will continue to pay premiums to iA Financial Group. These specimens are not intended to be used as a form, nor will they substitute for sound professional advice. They may be provided to the professional advisors of all parties involved for their assistance in preparation of the actual documentation required. The final documentation must be customized to meet the needs of each client and should be drafted and reviewed by the clients’ professional advisors.



Charitable donations (A)

**Donor-acquired Life Insurance Policy
Donor continues to make premium payments**

(Date)

Subject: Donor's instructions to the registered charity

Dear Madam/
Sir:

I, (name of the donor), residing at (address of the donor), hereby assign ownership of Industrial Alliance, Insurance and Financial Services Inc. ("iA Financial Group") policy number (policy number) issued on my life (the "policy") to (name of the registered charity), registration number (charity registration number) (the "Charity").

Pursuant to this assignment, the Charity shall become the registered owner and beneficiary of the policy on (date of assignment). A copy of the assignment form will be sent to you shortly (OR is enclosed herewith). The Charity has issued me an official receipt with the serial number (serial number of receipt). For your records, please attach the present direction to your duplicate copy of the official receipt.

I understand that the Charity is a registered charity or a qualified donee within the means of the *Income Tax Act* (Canada). I acknowledge that no right, privilege, benefit or advantage will accrue to me as a result of this donation (other than any tax relief). In addition, in accordance with your request and authorization, I will make all premium payments, including the first premium payment, directly to iA Financial Group.

This donation is subject to the following instructions:

- a) The Charity shall hold the Policy, or property substituted therefor, for a period of at least ten (10) years from the date of assignment of the Policy; and
- b) The Charity shall hold each premium payment made toward the Policy for a period of at least ten (10) years from the date such premium payment was made

For income tax purposes, please send me a receipt for the value of the Policy as of the date of its transfer to the Charity and the amount of premiums I paid on behalf of the Charity in the year the Policy was assigned. In the future, please also send me annual receipts for any additional premium payments made under the Policy.

Yours truly,

(Donor name)

Accepted and agreed to
(Name of the charity's representative)



Charitable donations (A)

**Donor-acquired Life Insurance Policy
Donor continues to make premium payments**

(Date)

**Subject: Request to donor to pay premiums directly to
Industrial Alliance, Insurance and Financial Services Inc. ("iA Financial Group")**

Dear Madam/
Sir:

You have offered to make a donation of \$ _____ per month (OR per year) to our organization, (name of registered charity) (the "Charity") to fund the purchase of life insurance policy number (policy number) issued by iA Financial Group (the "Policy").

We acknowledge that the Charity is the sole owner and registered beneficiary of the Policy. We hereby request and authorize you to make the premium payments under the Policy directly to iA Financial Group.

Upon confirmation by iA Financial Group that the premium payments on the Policy have been made, we will issue you an official receipt for income tax purposes in the amount of the premium payments you have made.

Thank you for your support.

Yours truly,

(Name of the charity's representative)

Charitable donations (B)

Donor-acquired Life Insurance Policy Charity makes premium payments (Donor's directions to the Charity)

INSTRUCTIONS

A. The following specimens should be made available to a policyholder:

- (i) the policyholder intends to donate a life insurance policy that he or she holds with Industrial Alliance, Insurance and Financial Services Inc. ("iA Financial Group") to a registered charity or a qualified donee within the meaning of the *Income Tax Act* (Canada); and
- (ii) the Charity shall continue to make premium payments to iA Financial Group.

B. The following samples must be signed before or at the time the donation is made.

DISCLAIMER

The following specimens titled "Donor's direction to the Charity" have been prepared only as an illustration of the documentation which might be used in the event of a charitable donation of donor-acquired life insurance policy where the Charity will continue to pay premiums to iA Financial Group. These specimens are not intended to be used as a form, nor will they substitute for sound professional advice. They may be provided to the professional advisors of all parties involved for their assistance in preparation of the actual documentation required. The final documentation must be customized to meet the needs of each client and should be drafted and reviewed by the clients' professional advisors.

Charitable donations (B)

**Donor-acquired Life Insurance Policy
Charity makes premium payments
(Donor's directions to the Charity)**

(Date)

Subject: Donor's instructions to the registered charity

Dear Madam/
Sir:

I, (name of the donor), residing at (address of the donor), hereby assign ownership of Industrial Alliance, Insurance and Financial Services Inc. ("iA Financial Group") policy number (policy number) issued on my life (the "Policy") to (name of the registered charity), registration number (charity registration number) (the "Charity").

Pursuant to this assignment, the Charity shall become the registered owner and beneficiary of the Policy on (date of assignment). A copy of the assignment form will be sent to you shortly (OR is enclosed herewith). The Charity has issued me an official receipt with the serial number (serial number of receipt). For your records, please attach the present direction to your duplicate copy of the official receipt.

I understand that the Charity is a registered charity or a qualified donee within the means of the *Income Tax Act* (Canada). I acknowledge that no right, privilege, benefit or advantage will accrue to me as a result of this donation (other than any tax relief).

I hereby enclose a cheque in the amount of \$_____ as a donation payable to the Charity. This donation must be used to pay the premiums for the Policy for the first year of insurance. I will also make annual donations to the charity for the purpose of paying all future Policy premiums as they become due.

This donation is subject to the following instructions:

- a) The Charity shall use the initial donation payment hereby enclosed, together with all my further donation payments payable to the Charity, to pay the annual premiums on the Policy as they become due under the Policy; and
- b) The Charity shall hold the Policy, or property substituted therefor, for a period of at least ten (10) years from the date of assignment of the Policy.

For income tax purposes, please send me a receipt showing the value of the Policy on the date it was transferred to the charity and the premium payment which you will find attached. In the future, please also send me annual receipts for any additional premium payments made under the Policy.

Yours truly,

(Donor name)

Accepted and agreed to
(Name of the charity's representative)

Charitable donations (C)

Charity-acquired Life Insurance Policy Donor makes premium payments

INSTRUCTIONS

- A. The following specimens should be made available to a person and a charity when:
- (i) the person intends to make premium payments toward a life insurance policy acquired by a registered charity or a qualified donee within the meaning of the *Income Tax Act* (Canada); and
 - (ii) ownership of the Policy will remain with the Charity.
- B. The following specimens must be signed before or at the time the donation is made.

DISCLAIMER

The following specimens titled “Donor’s direction to the Charity” and “Request to donor to pay premiums directly to Industrial Alliance, Insurance and Financial Services Inc. (“iA Financial Group”))” have been prepared only as an illustration of the documentation which might be used where the donor will pay all future premiums (as they become due) on a charity-acquired life insurance policy directly to iA Financial Group. These specimens are not intended to be used as a form, nor will they substitute for sound professional advice. They may be provided to the professional advisors of all parties involved for their assistance in preparation of the actual documentation required. The final documentation must be customized to meet the needs of each client and should be drafted and reviewed by the clients' professional advisors.

Charitable donations (C)

Charity-acquired Life Insurance Policy Donor makes premium payments

(Date)

Subject: Donor's instructions to the registered charity

Dear Madam/
Sir:

On (date the donation is made), I, (name of the donor), residing at (address of the donor), have undertaken to make all future premium payments to Industrial Alliance, Insurance and Financial Services Inc. (iA Financial Group) life insurance policy number (policy number) as they become due. The Policy is owned by (name of the registered charity), registration number (registered charity registration number) (the "Charity").

The Charity has issued me an official receipt with the serial number (serial number of receipt). For your records, please attach the present direction to your duplicate copy of the official receipt.

I understand that the Charity is a registered charity or a qualified donee within the means of the *Income Tax Act* (Canada). I acknowledge that no right, privilege, benefit or advantage will accrue to me as a result of this donation (other than any tax relief). In addition, in accordance with your request and authorization, I will make all premium payments, including the first premium payment, directly to iA Financial Group.

This donation is subject to the following instructions:

- a) The Policy, or property substituted therefor, is to be held by the Charity for a period of at least ten (10) years from the date of assignment of the Policy; and
- b) The Charity shall hold each premium payment made toward the Policy for a period of at least ten (10) years from the date such premium payment was made

For income tax purposes, please send me a receipt for the amount of premiums I paid on behalf of the Charity for that year. In the future, please also send me annual receipts for any additional premium paid during each future year.

Yours truly,

(Donor name)

Accepted and agreed to
(Name of the charity's representative)



Charitable donations (C)

**Charity-acquired Life Insurance Policy
Donor makes premium payments**

(Date)

**Subject: Request to donor to pay premiums directly to
Industrial Alliance, Insurance and Financial Services Inc. (iA Financial Group)**

Dear Madam/
Sir:

You have offered to make a donation of \$ _____ per month (OR per year) to our organization, (name of registered charity) (the "Charity") to fund the purchase of life insurance policy number (policy number) issued by iA Financial Group (the "Policy"). We acknowledge that the Charity is the sole owner and registered beneficiary of the Policy. We hereby request and authorize you to make the premium payments on the Policy directly to iA Financial Group.

Upon confirmation by iA Financial Group that the premium payments on the Policy have been made, we will issue you an official receipt for income tax purposes in the amount of the premium payments you have made.

Thank you for your support.

Yours truly,

(Name of the charity's representative)

Charitable donations (D)

Charity-acquired Life Insurance Policy Charity makes premium payments (Donor's directions to the Charity)

INSTRUCTIONS

- A. The following specimens should be made available to a person and a charity when:
- (i) the person intends to make a donation to a charity which allows the charity to continue making all future premium payments (as they become due) on a life insurance policy acquired by the charity. The Charity must be a registered charity or a qualified donee within the meaning of the *Income Tax Act* (Canada); and
 - (ii) ownership of the Policy will remain with the Charity.
- B. The following specimens must be signed before or at the time the donation is made.

DISCLAIMER

The following specimens titled "Donor's direction to the Charity" has been prepared only as an illustration of the documentation which might be used where the donor has made a donation to a charity to allow the charity to continue making all future premiums (as they become due) on the Policy to iA Financial Group. This specimen is not intended to be used as a form, nor will it substitute for sound professional advice. They may be provided to the professional advisors of all parties involved for their assistance in preparation of the actual documentation required. The final documentation must be customized to meet the needs of each client and should be drafted and reviewed by the clients' professional advisors.

Charitable donations (D)

**Charity-acquired Life Insurance Policy
Charity makes premium payments
(Donor's directions to the Charity)**

(Date)

Subject: Donor's instructions to the registered charity

Dear Madam:

Sir:

On (date the donation is made), I, (name of the donor), residing at (address of the donor), hereby enclose a cheque in the amount of \$_____ as a donation payable to (name of the registered charity), registration number (registered charity registration number) (the "Charity").

This donation is to be contributed toward premium payments on Industrial Alliance, Insurance and Financial Services Inc. ("iA Financial Group") life insurance policy number (policy number) (the "Policy") for the first year of the Policy. I will also make annual donations to the charity for the purpose of paying all future Policy premiums as they become due. The Charity has issued me an official receipt with the serial number (serial number of receipt). For your records, please attach the present direction to your duplicate copy of the official receipt.

I understand that the Charity is a registered charity or a qualified donee within the means of the *Income Tax Act* (Canada). I acknowledge that no right, privilege, benefit or advantage will accrue to me as a result of this donation (other than any tax relief).

This donation is subject to the following instructions:

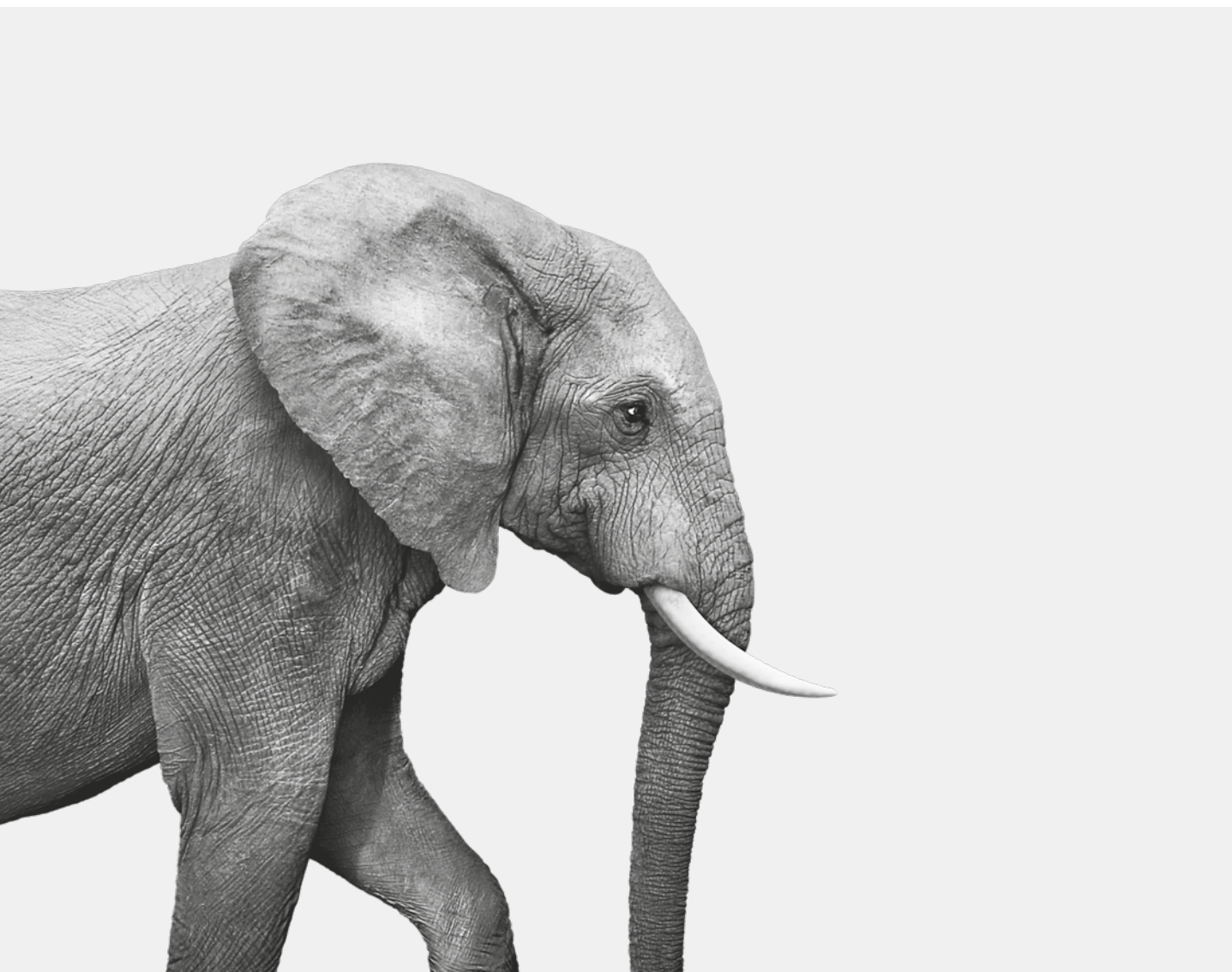
- a) The Charity shall use the initial donation payment hereby enclosed, together with all my further donation payments payable to the Charity, to pay the annual premiums on the Policy as they become due under the Policy; and
- b) The Charity shall hold the Policy, or property substituted therefor, for a period of at least ten (10) years from the date of assignment of the Policy.

For income tax purposes, please send me a receipt showing the value of the Policy on the date it was transferred to the charity and the premium payment which you will find attached. In the future, please also send me annual receipts for any additional premium payments made under the Policy.

Yours truly,

(Donor name)

Accepted and agreed to
(Name of the charity's representative)



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