



The McGill University Health Centre Foundation, through its planned and deferred giving program, is committed to providing benefits to donors, their families and estates while ensuring the long-term teaching, research and patient-care excellence of the McGill University Health Centre.

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Securing the Right Kind of Gift

The gifting of securities as a charitable donation to the McGill University Health Centre Foundation is a philanthropist's cherished donation technique. This is largely because capital gains taxes due on a gift of appreciated securities are reduced by tax rules that move the current 50 percent inclusion rate down to 25 percent. In addition, donors receive a charitable donation receipt equal to the fair market value of the gifted securities.

Potential donors to the McGill University Health Centre Foundation are far better off gifting stocks, bonds, or mutual funds of appreciated value than selling the same securities and donating the cash proceeds. If they sell the securities first, they will lose the reduced capital gains inclusion rate opportunity that ultimately results in a higher after-tax cost of the donation.

The McGill University Health Centre Foundation will issue a receipt for the donated securities that the donor can then use to reduce his or her income taxes. Eligible donations that may be used for tax purposes in a year cannot exceed 75 percent of the donor's net income plus 25 percent of the taxable capital gains arising from donations of capital property. If the amount of the donation exceeds the donor's deduction capacities for that year, unused amounts can be carried forward and used in any of the five subsequent tax years.

Upon death, the maximum deduction against net income increases to 100 percent of net income in the year of death. As well, the tax return for the year preceding death may be reopened to treat donations on this return as eligible for an income tax credit to the extent of 100 percent of net income. Due to this provision, donating securities as part of one's Will merits consideration as there will be benefits from both the income tax credit and the reduced capital gains inclusion rate.

Donating Securities Checklist

- 1** **Decide which securities** of appreciated value you would like to donate to the MUHC Foundation.
- 2** **Decide in what amount** you would like to donate them (for example, you may have 1,000 shares of company X and want to donate 500 shares).
- 3** **Contact Marc Weinstein** at the MUHC Foundation and inform him of your desire to make this gift.
- 4** **Advise your securities broker** that you intend to make this gift. The MUHC Foundation will then contact the dealer and arrange for the transfer of these securities to the MUHC Foundation. Alternatively, if the securities you wish to donate are in certificate form (for example, in your safety deposit box) contact the MUHC Foundation and they will arrange to receive these certificates as your donation.
- 5** **Receive your charitable donation receipt** and enjoy the knowledge that you have contributed to the future of our community's quality health care as well as to your corresponding tax credits.

Making Life Insurance Pay While You're Still Alive

More and more philanthropists have discovered that they can increase the dollar amount of their gift to the McGill University Health Centre (MUHC) by using a life insurance policy as a donation, a strategy that offers a number of advantages to the donor. Below are three basic methods of providing a gift of life insurance:

1 The donor applies for insurance coverage with the MUHC in mind. When the policy is taken out, the donor names the McGill University Health Centre Foundation as the beneficiary and owner of the policy. The donor then receives a charitable donation receipt from the MUHC Foundation that is equal to the amount of the annual insurance premiums and that can be used as a tax credit to reduce his or her income tax. By creating a legacy in this way for an area of specialization or for the McGill University Health Centre in general, the donor has provided a far more substantial gift than he or she would normally have been able to afford.

2 The donor donates an existing life insurance policy — either a whole life or a universal life policy with accumulated values — to the MUHC Foundation by transferring ownership to the McGill University Health Centre Foundation and naming it the beneficiary. The donor then receives a charitable donation receipt from the MUHC Foundation that is equal to the accumulated policy cash less any outstanding policy loans (there may be tax implications related to this disposition that should be discussed with a financial advisor). This method is usually beneficial to donors whose requirements for the original life insurance have changed due to divorce, the death of their spouse, or because their children have become independent.

3 The donor retains ownership of an existing policy but names the McGill University Health Centre Foundation as the beneficiary. This allows the donor to continue to control the policy, for example, by changing the beneficiary at any time should he or she wish to do so; however, premiums cannot be deducted from income since the donor is still the owner. The amount of the death benefit becomes the amount of the donation on the final income tax return and results in a corresponding tax credit for the full amount of the policy. The estate may choose to use this tax credit to offset taxes due on the donor's RRSP or RRIF, or for taxes on capital gains.

Each of the above methods provides donors with excellent tax deduction opportunities while increasing exponentially the value of a gift made to any of the McGill University Health Centre's departments. As with all gift planning, it is important for a donor to meet with a financial advisor to discuss the particulars of his or her situation.

Client Profile: Method 1

- ◆ A couple in mid-life (both non-smokers, age 50) whose children have become independent.
- ◆ Goal: to support the McGill University Health Centre with a gift of \$100,000.
- ◆ Strategy: to take out a Universal Life policy naming the MUHC Foundation as the owner and beneficiary. The policy is projected to be paid up in seven years, at which time the premiums cease. The death benefit is paid to the MUHC Foundation only upon the death of the second spouse.
- ◆ Premiums: \$1,790.00 per year based on a 6 percent projected return on the investment portion of the policy. A charitable donation receipt equal to the insurance premium is issued to the donors each year by the MUHC Foundation, resulting in a tax credit for the donors.
- ◆ Result: the couple pays out \$12,530.00 over seven years, receives tax credits for that amount, and leaves \$100,000 or more, depending on the growth of the policy values, to the MUHC Foundation.



Send for a free gift-planning booklet

The MUHC Foundation's *Planning for a Healthy Legacy* booklet contains information on the many different ways you can support the McGill University Health Centre's vital research, patient care and teaching programs while ensuring that your family and estate are well looked after. For a copy, please call (514) 931-5656 or write to: MUHC Foundation, 2155 Guy Street, Suite 900, Montreal, Quebec H3H 2R9