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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:
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The Charitable Gift Annuity

Providing seniors with significant tax-free income and philanthropic flexibility

by John Archer, Member MUHC Foundation Planned Giving Committee

The charitable gift annuity is one of those rare retirement income vehicles that can provide seniors with tax-free income at a level that often surpasses the net return produced by today's term deposits or other fixed income instruments. Furthermore, by buying into the annuity, not only can a donor receive a significantly higher monthly income, but a portion of the capital invested to produce the annuity will be used to fund many important health-care initiatives at the McGill University Health Centre (MUHC).

Consider the case of a 75-year-old female donor who has decided to make a \$50,000 contribution to this annuity. The donor will receive an income of \$3,000 per year (\$250 paid monthly) for life, which represents a tax-free income of 6 percent. (For this woman to receive 6 percent per year on an after-tax basis from a term deposit, she would have to earn approximately 12 percent on that deposit, depending on her marginal tax rate.) From the \$50,000 contribution, the MUHC Foundation will use \$30,244 to purchase the annuity from a leading insurance company, with the remaining \$19,756 immediately going to the MUHC Foundation for use by the hospital. Over and above the monthly lifetime payout, the donor will receive a one-time immediate charitable donation tax receipt of \$8,000 given her age and the amount of the annuity income.

Annuities, it should be noted, are irrevocable contracts that can never be broken once in force. This is why only a portion of a donor's investable assets should be earmarked for this type of gift. The charitable gift annuity income ceases immediately upon the annuitant's death, leaving no benefit to the estate. Funds from RRSPs and RRIFs cannot be used to purchase charitable gift annuities; only funds outside these plans qualify.

Charitable gift annuities represent a unique opportunity for benevolent seniors to both increase their retirement income and support their community.

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Using RRSPs

to increase the value of a donation

For certain people, the amount of income generated by all or part of their registered retirement savings plan is superfluous to the income derived from other sources; gifting it to the MUHC Foundation can result in significant tax savings. To take advantage of this potential benefit, it is important for individuals to examine the philanthropic use of RRSPs as part of their estate planning process.

As an example, we can look at a donor who has money in an RRSP that won't be needed to supplement his pension in retirement. The donor is confident that his wife won't need the money either, and as a couple they would prefer to make a gift to health care rather than have up to 50 percent of the money held in the RRSP paid out in taxes. This decision enables the donor to nearly double the amount of money available to make a gift.

To make this happen, a potential donor should:

- change the beneficiary of the RRSP to the McGill University Health Centre Foundation;
- maintain the RRSP until the year he or she turns 69/70, at which time the law requires that the income be paid out;

- convert the RRSP into a Registered Retired Income Fund (RRIF) with the MUHC Foundation as the beneficiary;
- make the minimum required withdrawals from the RRIF and donate that amount each year to the MUHC Foundation.

Donors can always change their minds and spend the income or change the beneficiary of the plan. However, this will lead to income taxes being payable on the money withdrawn from the registered plan.

If you would like to learn more about this financial planning strategy, please contact the MUHC Foundation at (514) 931-5656 for more information.

The Charitable Gift Annuity *(continued from page 1)*

In a world where it is difficult to find tax-free income, charitable gift annuities represent a unique opportunity for benevolent seniors to both increase their retirement income and support their community. Points to consider:

- The older you are when you apply for a charitable gift annuity, the higher your potential tax-free income. Donors over the age of 65 receive the greatest benefits, ranging from 4 percent to 9 percent (and sometimes more) of tax-free income relative to the deposited capital.
- A portion of your donated capital is used to buy the annuity, with the balance going to support MUHC programs.
- Your tax-free income will be paid directly into your bank account for the rest of your life or for the rest of your and your spouse's lives if a joint annuity is selected.
- You can enjoy the knowledge that you have made a significant contribution to one or more of the MUHC's important health initiatives.

Contact the MUHC Foundation's Marc Weinstein at (514) 931-5656 to obtain a personalized charitable gift annuity illustration to see how this might work for you.

An Important Reminder

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is quickly coming to an end. This means that time is running out for making a gift to the MUHC Foundation and applying this donation against your income for this year.

On their first \$200 in donations, donors can save about \$0.25 per dollar in federal and provincial taxes. Any amount over and above the first \$200 will yield tax credits of \$0.50 per dollar. Most individuals can claim a maximum of 75 percent of their net income.

While cash donations remain the most common form of making a gift, transferring appreciated stock to the MUHC Foundation will provide donors with a tax receipt for the full amount of the stock. Donors will also pay a lower rate of tax on the capital gains than if they sold the securities themselves. For more information, please see the Summer issue of *The Gift Planner*.

