

Gift Planning: Sustainable Funding for the Future

Heard it Through the Grapevine
CCAIE National Conference

June 9, 2008



The first time you share tea with a Balti, you are a stranger. The second time you take tea, you are an honored guest. The third time you share a cup of tea, you become family, and for our family, we are prepared to do anything, even die.

Three Cups of Tea

Greg Mortenson and David Oliver Reelin



Agenda

- Statistics
- Bequests
- Life insurance
- Gifts of residual interest
- Charitable remainder trusts



Canadian Stats: 2004 CSGVP

- 85% of the population aged 15 and over – made a financial donation to a charitable or other nonprofit organization
- Donations totaled \$8.9 billion with an average of \$400
- 45% of total was directed to religious organizations, while only 3% went to education and research
- 4% of the population aged 15 and over have made a gift to a charity in their will

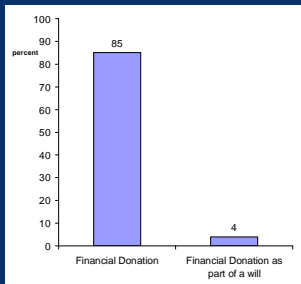


Canadian Stats: FLA Group

- 56% of Canadian adults currently have a will
- 7% of respondents have included charities as beneficiaries
- Canadians who have received some post-secondary education are twice as likely to make charitable bequests as those with high school education or less

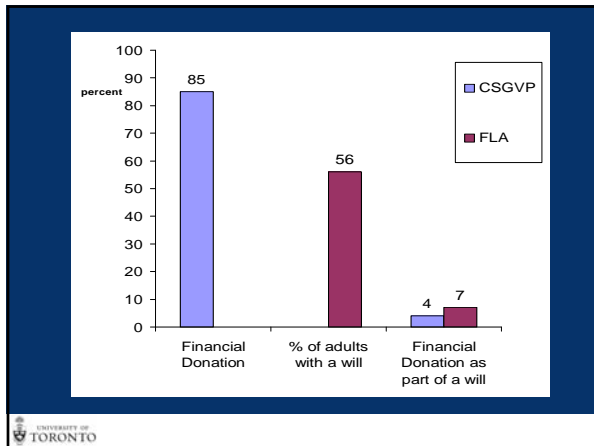


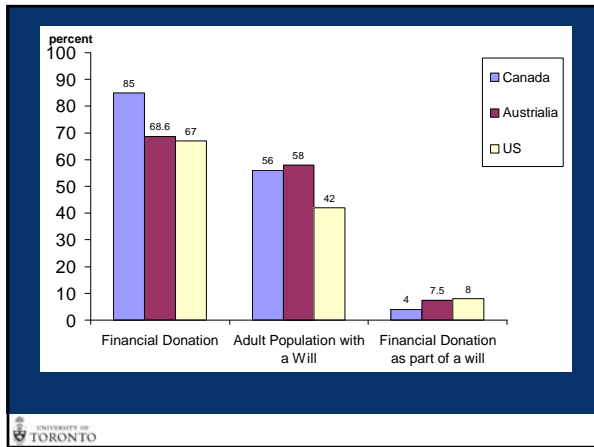
Percentage of population donating to charitable & nonprofit organizations, by type of donation, population aged 15 and older



Statistics Canada, CSGVP, 2004







**\$21-\$42 billion
to charities in wills**

Bequest Language

- Legal name
- Designation which does NOT meet charitable objectives of organization
- Designation that no longer exists
- Designation that contravenes human rights issues



Gift of Securities

- Important to have clear policies and procedures in place
 - Valuation for receipting
 - Selling position
 - Dealing with profit/loss



Scenario 1

- 2,500 BCE shares
 - Currently trading at \$34/share
 - If privatization proceeds they will be valued at \$42.75
- Donor wishes to fund a distinguished lecture – minimum \$100,000
- Leaving and will not be available at end of June to instruct transfer
- Receipt value is not the issue, but want the gift to fully fund the lecture
- Do you accept the shares receipt at the current value but hold?



Scenario 2

- 100,000 shares of ABC public corporation
 - Daily activity 12,000 shares/day
- Does your gift acceptance policy provide discretion to decline gifts?
- Does your Gifts of Security Policy – provide discretion to receipt using other methodology in certain circumstances?



Investment Gain/Loss

- Calculation
 - If a fund is to be established which amount is booked?
 - Receipt value
 - Proceeds receive
- Procedure if there is a shortfall
 - Request additional gift
 - Discretion of division where fund resides



Gift of Life Insurance

- University is beneficiary only
 - Receipt issued on death for the death benefit to estate, which can be used to offset taxes owing
- University is owner and beneficiary
 - Receipt is issued for premiums paid after the date of transfer. No tax receipt is issued for the death benefit.



University is owner and beneficiary

- Many life insurance policies taken out years ago, where for a lump sum contribution it was anticipated that the policy would be self sustaining.
- Liza-life insurance policy on life of John (1996)
- John 53 years old at time
- \$35,000 policy naming University as owner and beneficiary
- Annual premiums \$1,497.85
- Lump sum of \$12,778.15 in anticipation it would cover premiums for life of policy



Jack Spratt

- 80% of estate to University
- Assets: \$800,000 home; investment assets of \$1,500,000 and an indexed pension
- Taxes on death are not a concern to him as he will have more than sufficient tax credit
- Looking for options to reduce probate



Gift of Residual Interest (GRI)

- Transfer of property where individual maintains the use and enjoyment of property during lifetime
- Donor receives tax receipt for the present value of property transferred
- Organization & Donor enter into an agreement outlining who is responsible for what costs.



Jack Spratt - GRI

- Home appraised value - \$800,000
- Life expectancy 8.28 yrs
- Present value tax receipt \$550,000
- Tax Credit \$255,200
- All is good!



Jack Spratt – GRI con't

Five years out:

- Jack has been ill for some time and has required daily nursing support while at home
- The above costs combined with the recession has impacted his portfolio. Its current market value is \$500,000
- Needs to move into a long-term care facility
- Although his pension is indexed, his monthly income will only cover 80% of cost



Charitable Remainder Trust (CRT)

- Transfer of property where individual maintains the use and enjoyment of property during lifetime
- Donor receives tax receipt for the present value of property transferred
- Organization & Donor enter into an agreement outlining who is responsible for what costs.



Charitable Remainder Trust

- Where do expenses and fees come from
 - Income?
 - Capital?
- At time of creation – deemed disposition; thus potential capital gains tax and receipt is for present value.



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"His will reads as follows: 'Being of sound mind and disposition, I blew it all.'"



Thank You

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