How Gifts to **cbm** can **Reduce Taxes** in Your Estate

cbm
christian blind mission

You can transform the lives of people with disabilities in developing countries while reducing or eliminating taxes payable in your estate. The first step is to sit down with your financial planner or tax consultant and estimate what taxes will be payable at death or, in the case of a couple, at the passing of the last spouse.

Elberto's life was saved at our **cbm** partner hospital in Malawi after his eye was badly jammed with a stick.

INVENTORY ASSETS

Make an inventory of your assets and estimate how much income tax will be due at death. For instance, a cottage or other real estate, rental property, stocks, mutual funds, business assets, etc., might have capital gains or recapture of capital cost allowance which will be triggered at one's passing. These will have to be included as income in your terminal or final tax return and possibly result in significant taxes to be paid at death.

REGISTERED FUNDS

In addition, any registered fund (RRSP/RRIF) balances are taxed at death. In fact, where there is no spousal rollover, an RRSP/RRIF is the most heavily taxed asset in an estate. The RRSP/RRIF balance is taxed as income upon death of the second spouse and 40% to 50% can be taxed away.

CAPITAL GAINS TAXES

Capital gains on assets in one's estate and balances of registered RRSP/RRIFs can result in huge tax hits. Taxes at death can make federal and provincial governments major beneficiaries of one's estate.

TESTAMENTARY CHARITABLE GIFTS

> The good news is that testamentary charitable gifts (gifts that are triggered at the passing of an individual) can reduce these taxes at death or even eliminate them completely.

Testamentary charitable gifts include leaving a gift to **cbm** in your Will, or naming **cbm** as beneficiary in gifts of life insurance, RRSP/RRIFs and TFSAs by direct designation.

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CHARITABLE DONATIONS TAX CREDIT

In Canada, charitable donations to a registered charity receive a tax credit. For amounts of $200 or less, you receive a combined federal and provincial tax credit worth approximately 25% of the gift. For amounts exceeding $200, the combined federal and provincial tax credit is worth approximately 43%.

In addition, since January 1, 2016, a new federal donation tax credit rate increase of 33% applies to gifts in excess of $200 to the extent that an individual has income that is subject to the new 33% income tax rate, that is annual income over $200,000.

TAX CREDIT IN YEAR OF DEATH

In the year of death, Canadians can claim the credit for charitable gifts equal to 100% of net income instead of the normal 75% limit. If there is any unused charitable tax credit, it can then be carried back and applied up to 100% of net income in the year prior to death also.

NEW ESTATE DONATION RULES

As a result of the 2014 Federal Budget's new 'Estate Donation' rules, for a death that occurs after 2015, Executors of an estate that qualifies as a graduated rate estate (GRE) will be able to allocate the donation tax credit between the deceased and the deceased's estate (whichever is most beneficial) as long as the actual gift transfer occurs within 60 months after death.

The testamentary gift to the charity will be deemed to have been made by the deceased's estate at the time the property is transferred to the charity (no longer considered to be a gift made immediately before death) and the charitable receipt will be based on the actual fair market value of the gift at the time of the transfer to reflect any changes in value between death and the time of transfer.

There's now a seven-year claim window where the charitable donation receipt can be claimed for testamentary charitable donations. However, this means if the donation from your Will or RRSPs/RRIFs, insurance or TFSAs is not distributed by your executor(s) to the charity within the 60 month Graduated Rate Estate, there will be a mismatch of tax credit and liability. This will reduce both the estate and gift value.

After the 60 months, the donation tax credit would then only be available for use in the year of transfer.

TO OFFSET ALL INCOME TAXES

To calculate the amount of charitable gifts needed to completely off-set all income taxes in your estate, just multiply the estimated amount of taxes payable by two. This is the approximate amount of charitable gifts you will want to make.

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PUBLICLY-LISTED SECURITIES

In addition, gifts of publicly-listed securities "In Kind" not only qualify for a charitable receipt for the full fair market value, but also receive special tax treatment. Any capital gains which have accumulated in the securities you give to **cbm** are completely exempt from taxes. That means there will be no income tax charged on the (sometimes huge) capital gains that have built up in these securities. This is currently the most tax-effective way to make a gift to **cbm** either now, or at death through your Will.

GIFTS THAT REDUCE OR ELIMINATE TAXES

The following are charitable gifts to **cbm** which can significantly reduce or eliminate taxes completely at your passing because of the charitable receipt and/or special tax treatment.

Please note **cbm**'s legal name – **Christian Blind Mission International** – must be used:

- Gifts in your **Will** (either a portion of the Residue or a Specific Amount)
- Gifts of **Appreciated Securities "In Kind"** in your Will
- Naming **cbm** as Beneficiary of your **Registered Funds** (RRSPs, RRIFs, TFSAs, DPSPs)*
- Naming **cbm** as Beneficiary of your **Life Insurance Policy***
- Naming **cbm** as Beneficiary of your **Tax Tree Savings Accounts***

* Note: Beneficiary designations are not permitted on accounts held in Quebec.

For further information, please contact:
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cbm's legal name is Christian Blind Mission International

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