

Your Catholic Legacy



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Giving Beyond *Living*

Bill Olynyk often wondered how he could further support his parish, St. Mary's in Barrie. A former TTC/Gray Coach Supervisor, he got involved in parish activities after his retirement in 1982 and more so after his wife died in 1998. He would travel south from December to May but each time he came back to Barrie, he would be at his parish to help out. He was well-known to the parish staff and would regularly bake cookies for them. Together they chatted about the challenges and needs of the parish.

Bill wished he could give more to his parish than what was possible, given his limited retirement income. One day, Bill was introduced by a neighbour to someone who talked to him about the possibility of making a gift of life insurance to St. Mary's. Bill learned that purchasing a policy would enable him to provide a much larger gift than his financial resources would otherwise allow and that the gift amount would be bigger than he could possibly leave to the parish in his will. The best thing was it wouldn't cost him much and would also enable him to claim a tax deduction for his annual premium payments. Bill enthusiastically embraced the idea and decided to take out a \$10,000 life insurance policy which was payable over 10 years to benefit St. Mary's Parish. He said, "I pay \$660 a year and I am giving \$10,000 to the Church; that's more than I could otherwise give!"

Life insurance is indeed a giving option that can benefit a donor, his or her family and their favourite charities. With a life insurance policy, a donor can commit to the gift by designating the Church or other charitable organization as the beneficiary of the policy. The life insurance proceeds are usually much bigger than the value of the premiums paid. Also, a gift of a life insurance policy can reduce estate taxes. The donor decides whether (1) to make the charity the designated owner and beneficiary of the policy or (2) to be the owner and designate the charity as the beneficiary. Either way, these options should be considered carefully as the tax implications differ. The donor could also choose between gifting an old policy to the charity, or buying a new one for the charity, or just changing a policy beneficiary to a charity.

Bill bought his insurance policy in 1993. Nineteen years later, when Bill peacefully passed in 2012, the insurance company contacted St. Mary's Parish and informed them of this wonderful legacy from him. It was a heart-warming gesture from a man who saw his gift as a way of giving back to the parish which nurtured his faith. St. Mary's was able to use the funds they received to provide much-needed funding for some parish projects and programs for the faith community – a most fitting way to remember a man who often said that his gift was small compared to the many blessings he has received in his life.

Photo: St. Mary's Parish, Barrie

You Can Change the *World*

Using life insurance to multiply your support of great causes

Have you ever wished you could do more to support the meaningful work of your church or favourite charity?

Strategically taking advantage of life insurance as a donation tool is one way some people leave behind a memorable legacy.

Giving by way of life insurance can be as simple as this: make your parish or any eligible Canadian registered charity the beneficiary or owner of a new insurance policy purchased specifically to make a powerful gift. Or you can use an older policy that has outlived its original purpose so that, at your passing, the beneficiary will receive the full death benefit of this policy.

A reason many find compelling for giving through insurance is that the legacy gift will be significantly larger than the sum of the premiums. And there are many other benefits of giving in this way.

1) Setting up your policy is free. There are no fees to set up a new life policy or amend an existing policy to make your charity the beneficiary of your generosity.

2) Tax relief. When you make a charity the owner and beneficiary of a policy, all premiums are tax deductible. The charity will send you charitable tax receipts equal to the cost of your premiums. If you donate a paid-up policy, you may receive a tax receipt for its entire fair market value. If your premiums and other annual charitable gifts are more than \$200 in total, you can significantly reduce your income taxes owing (tax credits vary by province and various other conditions).

3) Estate tax relief. When you make a charity the beneficiary (not owner) of a policy, your estate will receive a tax receipt for the entire death benefit received. Your estate can benefit from a large tax deduction that will reduce estate taxes. That often allows you to give more to charities and leave more to heirs. In this scenario, premiums are not tax deductible.

4) A gift of life insurance happens outside of your estate. Within two to three weeks of an executor informing the insurance company of your passing, your insurance gift will go directly to your charity. It is excluded from the probate process and won't be reduced by any probate fees or final tax payments.

5) You don't have to change your Will to leave a meaningful legacy. Gifts of insurance need not be mentioned in your Will, but you should leave instructions with your executor to inform your insurance company of



your passing, ensuring your donation is made in a timely manner.

6) Your gift can be made privately. If you want to keep your gift private, between yourself and a charity, the only other person who needs to know about it is your executor.

When purchasing a new policy to use as a charitable gift, there are several options. Gifts of insurance are a specialized area. To find the best fit for your situation, it is recommended to consult an insurance broker who is experienced in using life insurance for charitable giving.

Consider purchasing a policy that can be completely paid off in a fixed time period. "Short pay" policies are easier for charities to manage and they provide peace of mind, knowing that you won't feel burdened with the premiums in later years.

If you have considered setting aside a lump sum of money that you'll designate to a charity (charities) in your Will, it may be worthwhile to explore the option of using that money now to buy and donate a fully paid-up life insurance policy that will grow in value over your lifetime. By doing this, you don't need to come up with additional resources to multiply your gift and have a much greater impact on the good works of your charity!

And that gives you real power to change the world.

This article is written by Mr. Jack Bergmans, who is a Certified Financial Planner, the President of Bequest Insurance, and co-author with Marlena McCarthy of Ripple Effect and Multiplying Generosity, two best-selling books on using insurance as gifts to charity.

Eternal Rewards



According to a recent study, Canadians are members of 8.2 loyalty programs per household – from air travel rewards programs to credit card loyalty tie-ups and retail loyalty initiatives.

Many Canadians collect loyalty points, but what happens to those points after we pass away?

In most cases, loyalty points will not be subject to the deemed disposition on death found in subsection 70(5) of the Income Tax Act (Canada) because they are unlikely to be capital property. There is no “enduring benefit” gained from collecting rewards points. Most loyalty programs are administered at the discretion of business and may be unilaterally cancelled at any time. Moreover, loyalty plans, such as Air Miles, state in their terms and conditions that they have no monetary value.[1] Aeroplan’s terms and conditions even specify that they cannot be willed.[2]

Whether loyalty points can be transferred to a beneficiary will depend on the terms and conditions of the specific loyalty plan. According to the Air Miles website, the Air Miles of the deceased can be transferred to a beneficiary by providing Air Miles with a letter of instruction signed by the personal representative, the collector number of the deceased and proof of death. There is no fee indicated on the form provided. However, the Air Miles terms and conditions state that you may not “transfer, sell, exchange, give, charge or otherwise dispose of any Miles except in accordance with such conditions as [they] may prescribe from time to time and upon payment of such fees as [they] may impose from time to time.”

Aeroplan’s terms and conditions state that the miles are personal to the member and cannot be willed or otherwise transferred other than with the consent of Aeroplan. Aeroplan may, from time to time, in its sole discretion, allow members to transfer miles after death. Aeroplan’s current position is that miles can be transferred, without a fee, if they are provided with a copy of the death certificate and the section of the will that names the beneficiaries. It is interesting to note, however, that as recently as 2016, Aeroplan was charging a fee of \$30 plus \$0.01 per mile to transfer miles to a beneficiary.[3]

One option to be considered when deciding what to do with unused loyalty points is a donation to charity.

Aeroplan allows members to donate directly to charities from their website.[4] The CRA takes the position that reward points are property that may be the subject of a gift to a registered charity.[5] The donation tax credit would be



based on the fair market value of the property donated, to be determined at the time the points are gifted to the charity. Charitable donation of loyalty points may present valuation issues, however, if the points themselves are donated directly; oftentimes, the terms and conditions of a loyalty program specifically state that the points have no cash or monetary value, making it difficult to determine their fair market value for purposes of the donation tax credit.

Depending on the program, it may be possible to transfer points to a family member or friend during your lifetime, but such transfers are often subject to a fee. Alternatively, it may be best to make a conscious effort to try to ensure that the points are used, perhaps to allow family members of the collector to visit in cases of illness.

Most loyalty programs are discretionary, with terms and conditions subject to change at any time, making planning difficult. Anyone intending to include loyalty points in their estate plan should carefully review the relevant terms and conditions and be willing to accept the risk that the program may change and the plan may not be carried out.

This article was written by Carolyn Hogan (chogan@millerthomson.com), a member of Miller Thomson’s Private Client group, and was reprinted from their Wealth Matters e-newsletter. Permission to reprint was secured from Miller Thomson LLP prior to publication.

[1] <https://www.airmiles.ca/arrow/TermsAndConditions>

[2] https://www.aeroplan.com/terms_and_conditions.do

[3] <https://www.cbc.ca/news/business/estate-travel-rewards-1.3420513>

[4] <https://beyondmiles.aeroplan.com/>

[5] CRA document no. 2003-0000175, May 18, 2003.

Our Faith
Our Future



Join the Legacy Society

If you have included your parish or favourite Archdiocesan charity in your Will or estate plan, please let us know. Through the Legacy Society of the Archdiocese of Toronto, we would like to say a special thank you.

All Legacy Society members are invited to the Annual Legacy Society Lunch and Mass by the Archdiocese of Toronto. They will also receive:

- A hand-crafted cross, blessed by His Eminence Cardinal Thomas Collins.
- A personal letter from Cardinal Collins and a certificate acknowledging your intention.
- Invitations to Legacy Society functions and other special events.

Let your legacy be a testament of your faith! To learn more about the Legacy Society, please contact the Development Office at 416-934-0606 / 1-800-263-2595 ext. 519 or development@archtoronto.org.

All calls are confidential. All Legacy Society members have the option of remaining anonymous.

Your Catholic Legacy, the planned giving newsletter of the Archdiocese of Toronto, is a free publication that is produced twice a year to keep parishioners informed about issues related to estate planning and the many tax-smart and creative ways they can support their parishes and Archdiocesan charities. While all articles are researched and come from reliable sources, you should always consult your own advisors before making a gift.

We welcome Peter Okonski as the new Manager of Planned Giving and Personal Gifts. Peter assumed this role effective June 1, 2019 and is looking forward to serving our archdiocesan community in the area of legacy and other planned gifts.

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