



gift annuities

Kindly reference our Gift Annuities example on the reverse for additional information

FREQUENTLY ASKED QUESTIONS ABOUT GIFT ANNUITIES

What is a charitable insured annuity?

This is an income and donation strategy whereby you purchase an annuity to create an income stream for life and secure a life insurance policy. You donate the life insurance to a charitable organization who becomes the owner and beneficiary of the insurance. You donate a portion of the annuity income to the charity to pay the life insurance premiums (and any tax)*. In this case, any premiums paid by the individual qualify for a donation tax credit, effectively increasing your income through the tax savings by your marginal tax rate (actual credit will vary by province). There is a benefit of income and tax savings during your lifetime and a benefit of the insurance proceeds to the charity when you pass away. See *chart on page 2*.

**An insured annuity combines two individual products: a life annuity contract and a life insurance policy (underwriting may be required).*

If I live beyond my projected life expectancy, will my payments continue?

Absolutely. Your payments are guaranteed no matter how long you live.

I would like payments to continue to my spouse if I die first. Is that possible?

Yes. Married persons typically provide for payments to be made over both of their lives. When the first spouse dies, the payments continue at the same level to the survivor.

Can a beneficiary receive payments for a term of years rather than for life?

Yes. You can specify that payments be made to you or another beneficiary for a certain period of time – 10 or 15 years for example. The amount

of the payments will decrease as the length of the period is extended.

Could I name someone other than a spouse as a second beneficiary?

Yes. For example, you could have the payments made to yourself and then to a sister or a brother if that person survives you.

Could I name someone other than myself as beneficiary from the very beginning?

Again, yes. You could create a gift annuity to provide additional support for an aged parent, or for a sister or brother who needs financial assistance. However, if you name a spouse as beneficiary, any taxable income paid to him or her may be attributed for taxation purposes

Does the number of beneficiaries affect the annuity rate?

Having two beneficiaries, rather than one, will reduce the size of the payments. For example, the annuity rate for one beneficiary, age 70, will be higher than the annuity rate for two beneficiaries, both age 70. That is because their joint life expectancy is longer than the life expectancy of either of them alone.

What is the minimum amount required to establish a gift annuity?

That depends on the policy of the charity you contribute to. The minimum required by Habitat for Humanity Sarnia/Lambton is \$1,000 for our self-insured annuities and \$10,000 for those reinsured by an insurance company.

What kind of assets can I contribute for a gift annuity?

Almost all contributions consist of cash. Habitat Sarnia/Lambton would usually accept listed securities and mutual funds, but you would be taxed on any capital gains realized. (if you

make an outright gift or establish appreciated listed securities and mutual funds).

How does Habitat for Humanity Sarnia/Lambton benefit from my contribution for a gift annuity?

If you Habitat Sarnia/Lambton self-insures your gift annuity, it will use, for charitable purposes, the portion of your contribution that remains at the end of the beneficiary's life. This could be more or less than your original contribution. If Habitat Sarnia/Lambton reinsures your gift annuity, it can spend or invest that portion of your contribution that remains after purchasing an annuity from an insurance company that cover the payment obligation. When this remaining portion is invested in Habitat Sarnia/Lambton's endowment, it often equals or exceeds the original contribution by the end of the life of the beneficiary.

It is important to remember that 100% of any gift annuity directed to Habitat for Humanity Sarnia/Lambton is used to facilitate transformational and generational change for families as they begin to build equity in their home and financial security for their family's future.



For more information on Habitat for Humanity Sarnia/Lambton, please visit www.habitatsarnia.org



The information in this brochure does not constitute legal or professional advice and should not be substituted for professional consultation. Habitat for Humanity Sarnia/Lambton strongly encourages donors to seek legal and financial advice prior to deciding a course of action.



Sarnia/Lambton



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VALUED CLIENT

Age: 65
Male/ Non Smoker

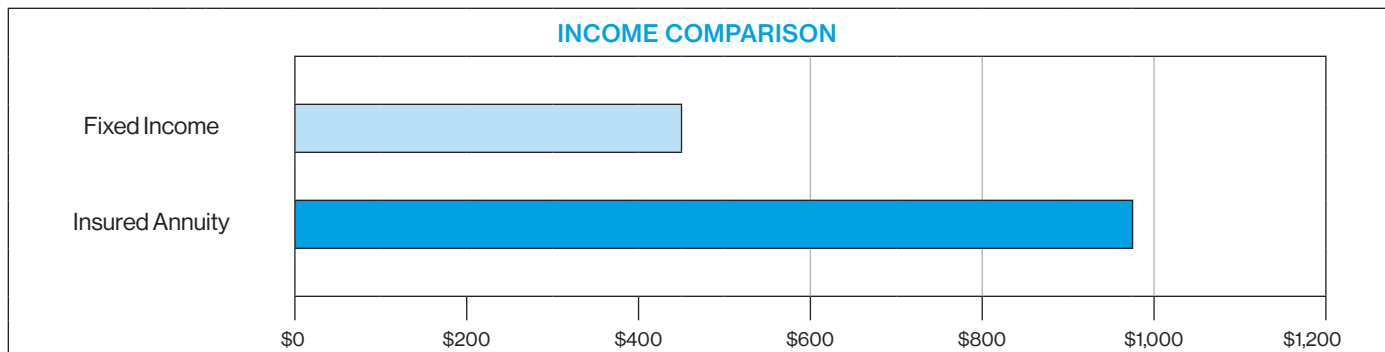
Fixed Income Rate: 4.0%
Marginal Tax Rate: 46.41% (Ontario)

FIXED INCOME		CHARITABLE INSURED ANNUITY	REGISTERED CHARITABLE DONATION TAX CREDITS: ONTARIO		
\$250,000	Amount Invested	\$250,000	FIRST \$200		
\$833	Monthly Cash Flow	\$1,429	Federal:	15.0%	\$30
\$833	Amount Taxable	\$224	Provincial:	5.05%	\$10
\$387	Tax Payable	\$104	NEXT \$7,392		
n/a	Insurance Costs	\$633	Federal:	29.00%	\$2,144
n/a	Tax Credits	\$289	Provincial:	17.41%	\$1,287
\$447	Net Cash Flow	\$981	Total Yearly Credits		\$3,471
\$250,000	Estate Benefit	\$250,000			

Using the Insured Annuity, when you pass away the registered charity will immediately receive \$250,000 directly from the insurance company.

That means the money does not pass through the estate and is not subject to estate costs, such as probate and executor fees. The

savings in probate fees alone would be approximately \$3,250.



In the above presentation the Insured Annuity has several advantages over a fixed income investment yielding 4.0%.

	CHARITABLE INSURED ANNUITY
Reduced taxable income by:	\$7,307
Reduced the amount of taxes payable by:	\$3,391
Dollar value increase in after-tax income versus fixed income:	\$6,414
Percentage increase in after-tax income versus fixed income:	119.69%
To generate the same after-tax income and estate benefit, the fixed income rate of return would have to be approximately:	8.79%

NOTES:

- Sources: life insurance: Sun Life; annuity: Empire Life
- In the above calculations the annuity income includes both interest and return of capital invested
- Life insurance coverage and benefit amounts will be subject to medical underwriting review and approval
- See illustrations for applicable insurance and annuity rate guarantees
- Up to 75% of your net income can be claimed as donations, except in the year of death or the year preceding death, when 100% of net income can be claimed as donations
- When an individual absolutely assigns a life insurance policy to registered charity and makes the charity the registered beneficiary of the policy, the individual qualifies for the tax relief applicable to charitable gifts in respect of such a donation. If the individual continues to pay the premium on the life insurance policy, each amount so paid also qualifies as a charitable gift in the year. CRA Interpretation Bulletin IT-244R3



Sarnia/Lambton