

BEQUEST IN YOUR WILL - PHILANTHROPIC WILL PLANNING

Ma and Pa Philein have just transferred the family's small business to their son and his wife. Now that they are enjoying retirement, it is time to reflect on their life achievements and determine how they will allocate their assets in their will. Ma and Pa Philein have always had a passion for community involvement, a passion they've worked hard to instill in their children and grandchildren. As they consider their estate, they want to ensure they not only provide for their heirs, but also for the community in which they've thrived. The question for the Phileins is not whether to contribute to charity, but rather, how and how much.

They want to consider the tax implications of each spouse's death and determine how charitable giving can offset those taxes and preserve their estate.

To illustrate, consider that Ma and Pa Philein have a house worth \$500,000, \$100,000 in GIC's and another \$400,000 in their RRSP's. If one of the other were to pass away their assets would roll over to their spouse without tax consequences. It is on the death of the last survivor that the estate tax liability would be due. In Ma and Pa's case that tax liability would be about \$160,000.

If they made no charitable contribution, their estate would simply pay the outstanding taxes of \$160,000 and the remaining \$840,000 would go to their family. The Phileins firmly believe that instilling a sense of philanthropy into their children and grandchildren is more valuable and rewarding than simply providing a financial inheritance.

Suppose the Phileins make a charitable contribution to charity. Based on their net worth and outstanding taxes, a donation of \$320,000 does three things: 1) Provides a charitable deduction that eliminates payable estate taxes of \$160,000 2) Leaves the Philein's heirs with an inheritance of \$680,000 3) Provides charity or The Philein Family Foundation with much needed funding of \$320,000 and a family legacy of valuable community support.

The question remains, which resonates more with you giving \$840,000 to your heirs and \$160,000 in taxes or \$680,000 to your kids and \$320,000 to charity and nothing in taxes.

The face of philanthropy is changing. As governments reduce support of vital sectors and services, individuals are seeing an opportunity to have greater impact on the communities in which they work and live. The concept of social capital planning is based on the belief that the value of material wealth is enhanced by the strength and viability of the community in which it was created.

Less than 50% of Canadians have a will and only 20% have included a charity in their will. Yet 34% of people said they would include a charity in their will if they were ASKED and they were engaged with the charity. We at Kerby are asking for your help and support. The Government is getting out of the charity business we need you to replace them.

November, 2010