The Top 7 Mistakes Canadians Make When Donating To Charity - Part V

Don't fail to understand how your charitable gift can go farther with the right tools

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In previous issues of "*Your Guide to Charitable Giving and Estate Planning*" I wrote about mistake # 1 – not appreciating that your RSP or RIF will be your most highly taxed asset … eventually. I also discussed mistake # 2 – not seeking professional help. I then reviewed mistake #3 – not considering your legacy. Finally, I reviewed mistake #4 – focusing on the wrong metrics. **In this month's guide I would like to review mistake #5 – failing to understand how you can make your gift go farther.**

To be completely frank, the insurance industry is not one of my "favourite things". Having said that, taking advantage of the benefits of insurance can be an extremely effective strategy for multiplying your philanthropic impact.

> "When you were born, you cried while the world rejoiced. Live your life in such a way that when you die, the world cries while you rejoice."
>
> *Ancient Sanskrit saying*

As an example, at one of my presentations on effective estate planning focusing on relationships and values, I met a wonderful couple – let's call them the Smiths – who, although already extremely philanthropically minded, wanted to do more for the organizations that were close to their hearts. A strategy that allowed them to do just that is a concept I call **The Donation Multiplier™**.

Step one involves investing in an annuity purchased through an insurance company. Quite simply, with an annuity you take a lump sum of cash to an insurance company which then guarantees you an income stream for the rest of your life. However, instead of using that guaranteed income stream yourself, you redirect it towards the purchase of a life insurance policy which names your favourite philanthropic organization as the beneficiary. This is where *The Donation Multiplier* comes into play.

In the Smiths' case, $25,000 was invested in an annuity that allowed them to fund an insurance policy which, when they died, would benefit their cause with $100,000, in effect multiplying or amplifying their $25,000 gift four times! Even better, their estate would receive a charitable tax credit for $100,000, resulting in an ultimate tax saving of approximately $50,000. (Numbers have been rounded for ease of illustration.) Their children were also happy, knowing they would end up with much more of their inheritance than would have been the case had their parents not been so charitable.

Just as a driver will send your golf ball further down the fairway, strategic use of insurance can amplify your charitable giving

Think of using insurance in multiplying your philanthropic impact in terms of the game of golf. For most people if you throw a golf ball down a fairway perhaps it would travel fifty yards. On the other hand, if you struck that same golf ball with a well swung driver that ball could travel well over two hundred yards. This is exactly how insurance works when it comes to philanthropic planning. Giving cash while you are alive or through your Will is like throwing a gold ball fifty yards. Using insurance effectively for charitable giving is like taking that same golf ball and hitting it over two hundred yards!

For details on the remaining six mistakes Canadians make when donating to charity, please feel free to download my **Special Report** at: **www.philanthropymatters.ca**

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