The Bottom Line

A "quick-read" for estate planning professionals from the JCF Professional Advisory Committee

November 2008

Enhancing Cash Flow Charitably

Difficult times. Huge challenges. Changed paradigm.
Normally, we at the JCF would feed you ideas at year-end to save tax charitably i.e. *"Donate appreciated stock"* etc.

The objective of this missive is to review a couple of ideas to create tax savings, while not impinging on cash flow.

Charitable Remainder Trust

- Simply transfer assets into a trust.
- Income from the trust will be paid back to the donor (and spouse) for lifetimes.
- The assets in the trust can be invested in any reasonable manner (or in other words in the same way as before). Thus no real financial change has occurred except at death when the assets will then be used for charitable purposes.
- A receipt is issued today, based on the value of assets and mortality of the income beneficiaries. Thus positive cash flow is achieved due to the immediate tax savings.

  N.B. Transferring "loser" securities into the trust crystallizes the loss and allows the donor to go back three years to use the loss to recover tax paid on capital gains.

The exception: The loss will NOT be crystallized if the transfer or donor is the majority beneficiary of the CRT.

The JCF has great expertise with CRTs.

Unneeded Insurance Policies

Many Canadians are considering giving up their policies to save the cash outflows (premium costs). An example:

- The JCF recently issued a $71,000 charitable receipt to a donor who gifted the policy to the JCF.
- This, of course, only works when there is real value inherent in the policy. The JCF evaluates each potential policy gift on its own financial merits.
- The donor adds cash flow by the receipt.

The bottom line:

These are difficult times, especially for professionals. These few ideas may be beneficial to some of your clients. We are ready to work with you in the next month to bring added value to these clients.

Questions? Comments?
Contact us:

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