



ESTATE TAX &  
PHILANTHROPY PLANNING

PREPARED EXCLUSIVELY FOR

Jack Sample  
&  
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# Estate Tax Planning Summary

The purpose of the Estate Tax Planning & Philanthropy Report is to analyze your current estate distribution and quantify the amount of taxes that your estate will pay at your death. Most families are uncertain as to the amount of their net worth they will lose at death through taxes; some are under the impression that as Canadians we do not pay estate taxes.

We have analyzed two planning strategies for you to consider in dealing with the ultimate payment of your tax bill. With both strategies, the income goals you have established in your current plan have been maintained. In other words, none of the strategies presented will reduce your cash flow or have any impact on your current lifestyle.

In preparing your estate plan it is important to consider not only the current impact of our decisions but their future impact as well. One of the significant advantages of our customized analysis process is the capability of showing the current effect of these strategies, as well as project their effect on your net worth and ultimate estate in the future.

## **YOUR CURRENT STRATEGY - PAY THE TAX BILL USING EXISTING ASSETS.**

We will illustrate the impact of your current strategy on your ultimate estate transfer after the payment of estate taxes. We need to ensure sufficient liquid assets (cash) are available to pay the tax. If there is not sufficient liquidity to pay the taxes, the estate will be forced to sell assets to get the funds to pay the taxes owed. Forced estate liquidation generates less revenue than selling in normal times.

## **STRATEGY 1 - ELIMINATE THE TAX BILL USING EXISTING ASSETS AS A CHARITABLE BEQUEST.**

The government has implemented tax legislation that encourages families to make a charitable donation to charity, in lieu of paying taxes. Recent tax changes have increased the donation tax credit to 50% (21% federal & 29% provincial). Therefore, in general terms, it costs 50 cents to donate \$ 1.00 to your favourite charity. We will illustrate the after donation impact of making a donation sufficient to eliminate estate taxes owed.

## **STRATEGY 2 - ELIMINATE THE TAX BILL USING LIFE INSURANCE AS A CHARITABLE BEQUEST.**

The insurance industry has created a product that pays out on the last to die between husband and wife. The use of a joint last-to-die life insurance policy to make the charitable donation that will eliminate all taxes at death is a very effective use of current assets and/or cash flow. A life insurance policy funding your charitable donation at death immediately guarantees your estate plan. We will illustrate the impact of premium payments and the impact of the ultimate death benefit donation to determine if this is a strategy your family should or could consider.

In order to illustrate simply the long term benefit /impact of each strategy, we have included a summary of the three strategies at your age 85 (average mortality age).

## Current Strategy

	2008:62/72	2011:65/75	2021:75/85
<b>Non-Registered</b>			
Co X Stock	38,508	51,254	132,941
Co Y Stock	38,508	51,254	132,941
#360-2032918	383,896	484,382	1,119,780
#523-380038	127,037	158,250	356,911
#734-0012819	62,341	71,587	128,502
#91263074NO	59,780	62,319	126,955
Surplus Savings	0	9,361	407,899
<b>Subtotal</b>	<b>710,071</b>	<b>888,406</b>	<b>2,405,929</b>
<b>Registered</b>			
LIF # 91893036NL	137,305	136,539	119,712
RRIF # 91263154NF	126,787	138,243	159,446
RRIF # 91263653NF	224,743	225,916	1,057,734
RRSP #91263412NR	478,548	592,427	0
Sp. RRIF # 91263369NF	60,924	67,366	77,728
Sp. RRSP # 91331483NS	8,553	10,588	0
<b>Subtotal</b>	<b>1,036,860</b>	<b>1,171,078</b>	<b>1,414,620</b>
<b>Lifestyle</b>			
659546 Alberta Ltd	68,688	75,057	100,870
659546 Alberta Ltd	68,688	75,057	100,870
Cottage	160,329	175,195	235,448
Jack and Jane's House	240,493	262,793	353,172
<b>Subtotal</b>	<b>538,197</b>	<b>588,102</b>	<b>790,360</b>
<b>Pro-Forma Net Worth</b>	<b>2,285,128</b>	<b>2,647,587</b>	<b>4,610,909</b>
<b>Insurance Proceeds</b>			
Retiree Life Insurance	71,300	71,300	71,300
<b>Subtotal</b>	<b>71,300</b>	<b>71,300</b>	<b>71,300</b>
<b>Death Benefits</b>			
CPP/QPP Death Benefits	5,000	5,000	5,000
<b>Subtotal</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Estate Before Taxes &amp; Expenses</b>	<b>2,361,428</b>	<b>2,723,887</b>	<b>4,687,209</b>
<b>Additional Income Taxes</b>	<b>(476,980)</b>	<b>(567,366)</b>	<b>(873,441)</b>
<b>Net Estate</b>	<b>1,884,447</b>	<b>2,156,520</b>	<b>3,813,768</b>
<b>Final Estate</b>	<b>1,884,447</b>	<b>2,156,520</b>	<b>3,813,768</b>
<b>Total Legacy</b>	<b>1,884,447</b>	<b>2,156,520</b>	<b>3,813,768</b>

# Strategy 1

	2008:62/72	2011:65/75	2021:75/85
<b>Non-Registered</b>			
Co X Stock	38,508	51,254	132,941
Co Y Stock	38,508	51,254	132,941
#360-2032918	383,896	484,382	1,119,780
#523-380038	127,037	158,250	356,911
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#91263074NO	59,780	62,319	126,955
Surplus Savings	0	9,361	407,899
<b>Subtotal</b>	<b>710,071</b>	<b>888,406</b>	<b>2,405,929</b>
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<b>Lifestyle</b>			
659546 Alberta Ltd	68,688	75,057	100,870
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Cottage	160,329	175,195	235,448
Jack and Jane's House	240,493	262,793	353,172
<b>Subtotal</b>	<b>538,197</b>	<b>588,102</b>	<b>790,360</b>
<b>Pro-Forma Net Worth</b>	<b>2,285,128</b>	<b>2,647,587</b>	<b>4,610,909</b>
<b>Insurance Proceeds</b>			
Retiree Life Insurance	71,300	71,300	71,300
<b>Subtotal</b>	<b>71,300</b>	<b>71,300</b>	<b>71,300</b>
<b>Death Benefits</b>			
CPP/QPP Death Benefits	5,000	5,000	5,000
<b>Subtotal</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Estate Before Taxes &amp; Expenses</b>	<b>2,361,428</b>	<b>2,723,887</b>	<b>4,687,209</b>
<b>Additional Income Taxes</b>	<b>3,871</b>	<b>(82,424)</b>	<b>(388,498)</b>
<b>Net Estate</b>	<b>2,365,299</b>	<b>2,641,463</b>	<b>4,298,711</b>
<b>Charitable Bequests</b>			
Charitable donations	(970,000)	(970,000)	(970,000)
<b>Subtotal</b>	<b>(970,000)</b>	<b>(970,000)</b>	<b>(970,000)</b>
<b>Final Estate</b>	<b>1,395,299</b>	<b>1,671,463</b>	<b>3,328,711</b>
<b>Total Legacy</b>	<b>2,365,299</b>	<b>2,641,463</b>	<b>4,298,711</b>

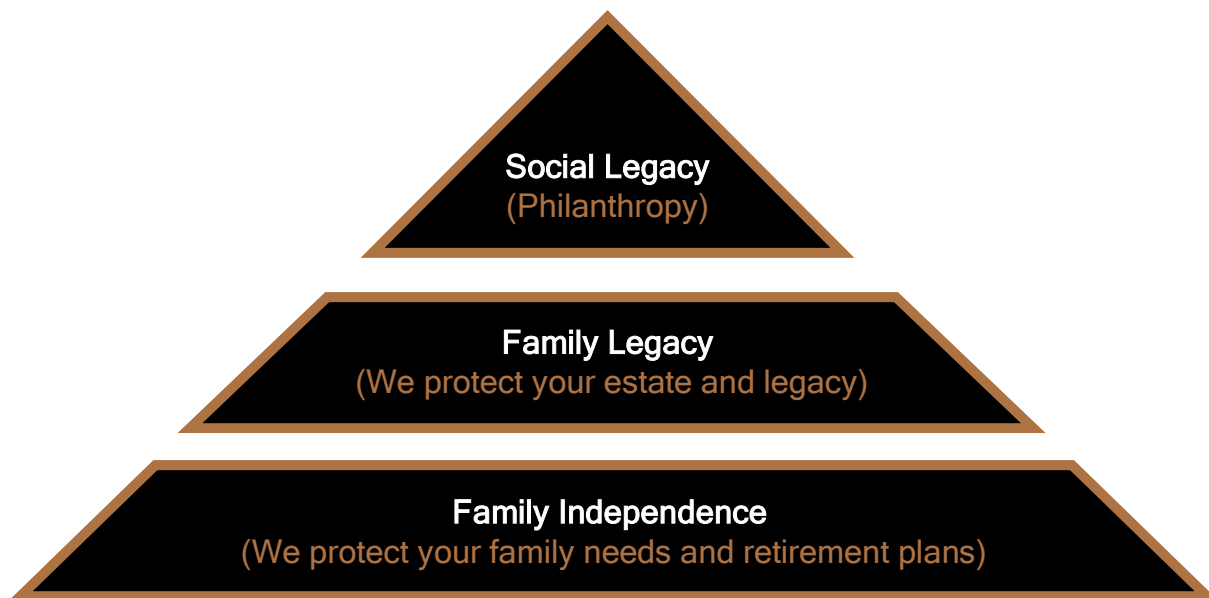
## Strategy 2

	2008:62/72	2011:65/75	2021:75/85
<b>Non-Registered</b>			
Co X Stock	38,508	51,254	132,941
Co Y Stock	38,508	51,254	132,941
#360-2032918	383,896	483,039	1,109,665
#523-380038	127,037	149,884	322,006
#734-0012819	62,341	70,267	117,084
#91263074NO	30,067	0	0
Surplus Savings	0	0	235,667
<b>Subtotal</b>	<b>680,358</b>	<b>805,698</b>	<b>2,050,303</b>
<b>Registered</b>			
LIF # 91893036NL	137,305	136,539	119,712
RRIF # 91263154NF	126,787	138,243	159,446
RRIF # 91263653NF	224,743	225,916	1,057,734
RRSP #91263412NR	478,548	592,427	0
Sp. RRIF # 91263369NF	60,924	67,366	77,728
Sp. RRSP # 91331483NS	8,553	10,588	0
<b>Subtotal</b>	<b>1,036,860</b>	<b>1,171,078</b>	<b>1,414,620</b>
<b>Lifestyle</b>			
659546 Alberta Ltd	68,688	75,057	100,870
659546 Alberta Ltd	68,688	75,057	100,870
Cottage	160,329	175,195	235,448
Jack and Jane's House	240,493	262,793	353,172
<b>Subtotal</b>	<b>538,197</b>	<b>588,102</b>	<b>790,360</b>
<b>Surplus/(Deficit)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>
<b>Pro-Forma Net Worth</b>	<b>2,255,414</b>	<b>2,564,879</b>	<b>4,255,283</b>
<b>Insurance Proceeds</b>			
Insurance to Eliminate Tax	970,000	970,000	970,000
Retiree Life Insurance	71,300	71,300	71,300
<b>Subtotal</b>	<b>1,041,300</b>	<b>1,041,300</b>	<b>1,041,300</b>
<b>Death Benefits</b>			
CPP/QPP Death Benefits	5,000	5,000	5,000
<b>Subtotal</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Estate Before Taxes &amp; Expenses</b>	<b>3,301,714</b>	<b>3,611,179</b>	<b>5,301,583</b>
<b>Additional Income Taxes</b>	<b>4,384</b>	<b>(79,152)</b>	<b>(366,570)</b>
<b>Net Estate</b>	<b>3,306,098</b>	<b>3,532,027</b>	<b>4,935,013</b>
<b>Charitable Bequests</b>			
Charitable Bequest	(970,000)	(970,000)	(970,000)
<b>Subtotal</b>	<b>(970,000)</b>	<b>(970,000)</b>	<b>(970,000)</b>
<b>Final Estate</b>	<b>2,336,098</b>	<b>2,562,027</b>	<b>3,965,013</b>
<b>Total Legacy</b>	<b>3,306,098</b>	<b>3,532,027</b>	<b>4,935,013</b>

## Summary of Strategies at age 85

	Current Strategy	Strategy 1	Strategy 2
<b>Estate Before Taxes</b>	\$4,687,209	\$4,687,209	\$5,301,583
<b>Estate Taxes</b> (Additional Income Taxes)	\$873,441	\$388,498	\$366,570
<b>Family Legacy</b> (Final Estate)	\$3,813,768	\$3,328,711	\$3,965,013
<b>Social Legacy</b> (Donation Amount)	0	\$970,000	\$970,000
<b>Total Legacy</b>	<b>\$3,813,768</b>	<b>\$4,298,711</b>	<b>\$4,935,013</b>

**A LEGACY** is a living reminder of individuals who cared about their community and supported causes that were important to them



The legacy that you leave is not just the wealth that your heirs inherit. Your legacy is the part of you the lives on in the hearts and minds of others after you are gone. It is the influence you had on your family and loved ones and the impact you had on society.