

## AQUEDUCT FOUNDATION FOUNDATION OF EFFICIENT CHARITABLE GIVING



### THE ISSUE

Clients often desire to gift some or all of their life insurance policy payout to a charity. The donor receives donation tax credits (individuals) or deductions (corporations), and the charity ultimately receives a sizeable cash gift to carry out its good work.

But the decision to gift a policy to a charity must be made carefully. The **structure** of the gift affects whether donation credits are realized annually on cash donated to cover the charity's premiums, or on death for the donation of the death benefit amount. The irrevocable nature of the donation requires planning to maximize the flexibility of the gift.

This Viewpoint explains the advantages to clients of enlisting Aqueduct Foundation to set up and manage their charitable life insurance gifting in order to simplify the process, preserve maximum flexibility, and ensure their wishes are carried out as desired.

*The opinions expressed in this memorandum are strictly those of Westward Advisors Ltd. This memorandum is for information purposes only and is not legal or tax advice.*



### AQUEDUCT FOUNDATION OVERVIEW

Aqueduct Foundation is a public foundation and **registered Canadian charity operated by Scotiabank** that provides grants to other registered Canadian charities. It acts as a conduit for donors making gifts to charitable organizations.

A donor establishes and names a **“personal foundation”** within Aqueduct. The donor's gifts to Aqueduct are deposited to a separate trust account held by Aqueduct for the personal foundation. The **Fund Deed** contains the donor's recommendations to Aqueduct regarding how grants are to be made from the personal foundation to other charities.

**When gifting ownership of life insurance**, the donor names Aqueduct as the owner or co-owner of the life insurance policy. The **donor receives annual donation receipts for cash donations to Aqueduct that are used to pay the policy premiums**. Aqueduct receives the death benefit, and deposits the proceeds to the trust account for the personal foundation. Aqueduct then makes grants from the personal foundation to charities under the terms of the Fund Deed.

#### Aqueduct Advantages

- Aqueduct will accept all or just some of the insurance payout as a gift.
- Aqueduct helps donors develop a philanthropic vision statement, name the personal foundation, and select the charities or causes to support.
- The Fund Deed allows the donor to select a variety of charities to support, and to change charities at any time without cost and without changing the policy.
- The Fund Deed enables the donor to specify how much of the funds in the personal foundation are granted each year.
- Aqueduct provides donation tax receipts for the cash donations used by Aqueduct to pay premiums.
- All administrative responsibilities are handled by Aqueduct including annual CRA filings and issuing donation receipts.
- The donor avoids the cost and public disclosure associated with a private foundation.
- The donor's personal foundation can also be used to channel his or her family's ongoing charitable giving.
- Donations can be “prepaid” to Aqueduct for immediate tax receipts with the premium payments or grants to charities to follow in later years.
- The donor's successor advisors (usually family members) can manage the Fund Deed after the donor's passing.
- Aqueduct collects an annual “expense recovery allocation” (ERA) of \$2,500 by way of annual donation until the death benefit is paid. After that, a 1% ERA applies to fully distribute the death benefit as a lump sum or the standard annual administration ERA applies to ongoing funds.

#### Westward's Added Value

Westward co-ordinates the gift of an ownership interest in a life insurance policy to Aqueduct. Westward monitors the amount of premiums paid as gifts to Aqueduct each year, and ensures matching donation receipts are issued by Aqueduct. Westward also reports all donations in the client's annual review to ensure that transactions are accounted for and tax credits are claimed.