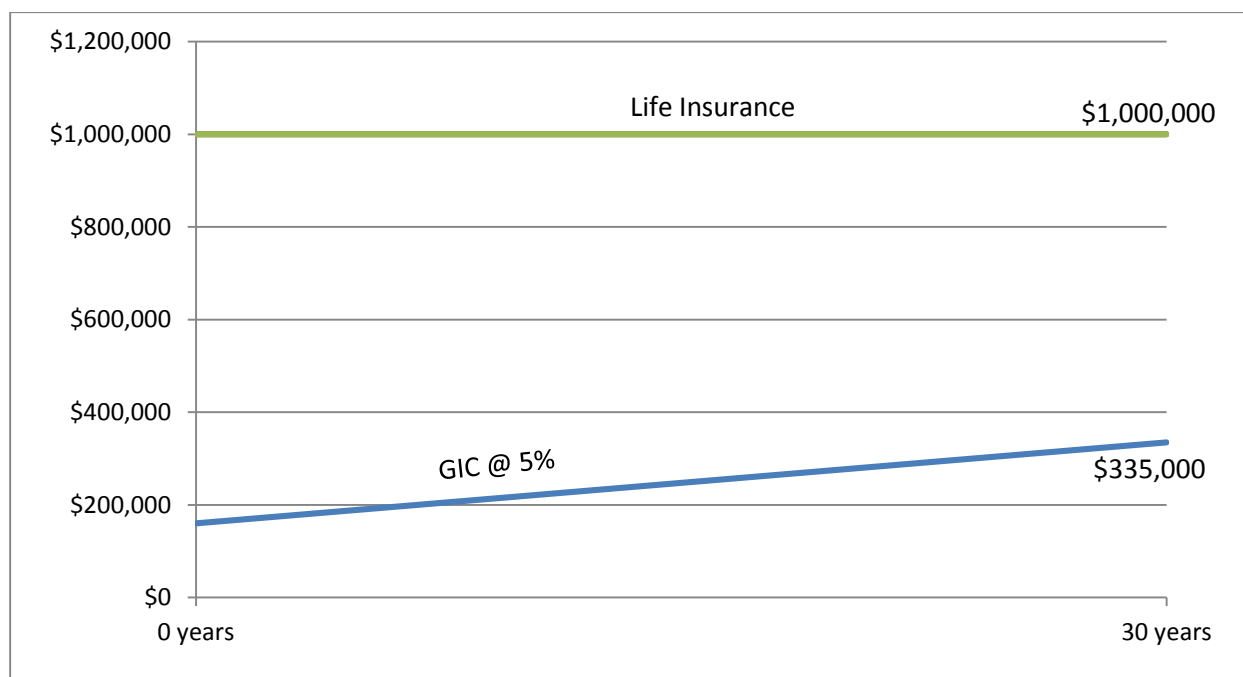


## Example of gift of Life Insurance

Mr. and Mrs. Johnson, age 60 are non-smokers in good health. They have decided they would like to make a gift to YANA on their deaths. After careful thought and analysis of their situation they decided they can make a gift of \$160,000

### Example of value of gift for an investment of \$160,000



If the Johnson's invest \$160,000 in a GIC at 5% (before taxes) they will have \$335,000 to bequest **IF** they survive to age 90.

Alternately, with a single \$160,000 premium payment the Johnson's can purchase a life insurance policy with a \$1,000,000 benefit and name YANA the beneficiary. YANA would receive the \$1,000,000 regardless of the age of death



## **Tax treatment of life insurance gift**

A 55 year old healthy non-smoking donor subscribes to \$100,000 life insurance policy. The 10 year guaranteed annual premiums of \$4,000 will pay for the entire policy. There will be no more payments required after this time and the policy will remain in force.

Strategy 1. The donor is the owner of the insurance policy.

When the donor dies YANA receives \$100,000 and the owner receives a tax receipt for \$100,000 which will reduce his taxes owed at death.

Strategy 2. YANA is the owner of the insurance policy.

The donor receives a tax receipt for \$4,000 each year while paying the premiums and YANA receives \$100,000 on death. There would be no additional tax receipt on death.

Which strategy is better depends on when the donor wants to receive the tax receipt.