

Your Company Name Charitable Annuity

(current date)

page 1 of 5

"Create an income for life and a charitable donation!"

Does your estate consist of substantial cash assets that you would like to bequest to a charity?

Do you need an income for the rest of your life?

Many people are unaware that:

- * They can make a donation of a cash asset to a charity and have the charity provide them with a life income.
- * If they are expected to receive less than their initial donation throughout their life, they will receive an immediate tax credit.

A Life "0" Annuity purchased by a charity can provide you with the income you need, and also provide you with a substantial tax credit. This is a significant improvement over simply holding the cash in an Alternative Investment, living on the income and making the donation at death. This also means you avoid paying probate and legal fees on the donation as well!

Your Company Name

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(current date)

page 2 of 5

The Charitable Annuity concept is designed for those who wish to have a guaranteed income for life, and yet make a regular donation to a charity during the donor's lifetime. This can be done with a Single Deposit Life-0 Annuity.

The donor provides the charity with a single lump sum amount, and the charity purchases a Life-0 Annuity on the donor's life. The charity agrees beforehand to return a portion of the proceeds of the annuity to the donor in the form of a monthly or annual income.

The donor's life expectancy is then calculated using the Revenue Canada approved mortality tables. From this figure, the total expected return to the donor can be calculated. The Net Donation is the difference between the donor's original deposit and the amount the donor is expected to receive.

If the donor is expected to receive more than the donor originally deposited, then the difference is taxable in the hands of the donor. If the donor is expected to receive less than the amount originally deposited, then the donor receives a tax credit. If the donor is expected to receive the same as the amount originally deposited, then there is neither a tax liability, nor a tax credit.

It is important to be aware that donations received by charities must be spent according to a set of rules known as "DISBURSEMENT QUOTAS". The Disbursement Quotas dictate what proportion of the preceding year's donations must be spent by the charity for charitable purposes in the current year. The actual proportion depends on the category of the charity. Charitable Organizations and Public Foundations must disburse 80% of their income, and Private Foundations must disburse 100%.

There is an exception to these rules, however. If the donor stipulates that the charity may not disburse the donation for ten years, then the donation is not added to the calculation for the disbursement quota, but the donor still gets a receipt in the year the donation is made. Therefore, in this case, the donor must stipulate that the charity may not disburse the donated deposit, or substituted property, until TEN YEARS after the deposit is paid.

Your Company Name Charitable Annuity

(current date)

page 3 of 5

For illustration purposes, the tax savings are calculated using a flat provincial rate of 50% of federal taxes. The actual rate varies by province and may be higher or lower than 50%.

NOTE: The tax credit for the portion of the donation which exceeds \$200.00 is calculated by applying the individual's marginal tax rate. As a result, this illustration will be valid only for those individuals who are in the top tax bracket.

This is an illustration only and NOT a Contract. Rates of return and values contained within are projections only and are not guarantees or forecasts of future performance. It must be read in conjunction with a policy illustration from the Life Company.

Your Company Name Charitable Annuity

(current date)

page 4 of 5

CONCEPT ASSUMPTIONS

Insureds

Joint Insured #1: Serge Client,
Male Age 57 Non-Smoker
Joint Insured #2: Mary Client,
Female Age 50 Non-Smoker

Prepared By:

Name: Agent / Broker

Product

Name: Life annuity (life-0)

Alternative Investment

Growth Breakdown: 100% Interest
Effective Tax Rate On Interest: 45.00%
Projected Annual Growth Rate: 6.000%

Your Company Name Charitable Annuity

(current date)

page 5 of 5

LONG TERM ALTERNATIVE INVESTMENT:

Amount invested	:	\$250,000
Assumed annual investment rate	:	6.00%
Gross yearly earnings	:	\$15,000
Taxable annual portion	:	\$15,000
Tax payable	:	(\$6,750)
Net annual after tax payout	:	\$8,250

LIFE ANNUITY:

Amount invested	:	\$250,000
Test Annual income for life	:	\$24,450
LESS: Donor's annual income for life	:	\$8,250
Test Net annual income for life	:	\$16,200
Total expected annual installments to donor:(15.00)	:	\$123,750
Net donation (for tax purposes)	:	\$126,250
Donor's tax credit (ONE TIME ONLY)	:	\$56,774
Donor's net annual after tax payout	:	\$8,250

DIFFERENCE (0.00%) : \$0