

Your Company Name

Charitable Insurance

(current date)

page 1 of 5

"Creating an immediate and substantial Charitable bequest!"

Is it one of your desires to create a charitable gift through regular accumulation, and have that gift donated at death?

Many people are unaware that:

- * They can obtain a tax deduction today for certain gifts to be donated later at death!
- * They can create a much larger gift through the purchase of insurance than they can by simply saving money in non-registered accounts!

Any healthy individual can purchase a life insurance policy with the intention of having the proceeds used as a charitable donation. If this is done through the individual's estate, then the amount of the donation is subject to the 100% of income rule in the final tax return, may not be creditor proof, and may be subject to probate fees. If the charity is named as beneficiary and the policy is assigned to the charity when it is issued, then each premium paid is treated as a donation and results in a tax credit for the individual paying the premiums. The proceeds are creditor proof, and not subject to probate fees.

Any form of life insurance qualifies, but if the individual has significant income and wants to prepay the policy then a Universal Life plan makes excellent sense. Depending on the structure of the policy, the account value may be paid out to the charity in addition to the basic face amount on death which enhances the amount of the gift. As the charity is not concerned about the exempt status of the policy, the amount of funding is only limited to the percent of income rules for the tax credit on deposits.

Your Company Name

Charitable Insurance

(current date)

page 2 of 5

Canadians may donate up to a maximum of 75% of net income in any one year to qualify for charitable donation tax credits. Deposit and payment duration of the policy should be selected so as to fall within this limitation. Overpayments may be carried forward for up to 5 years. The 1996 federal budget increased the limit on charitable donations to 100% of an individual's net income in the year of death and in the immediately preceding taxation year. The 75% limit remains in effect for other years except where appreciated capital property is gifted. In this case, the donation limit equals 100% of the net income that arises as a consequence of the gift.

Donations received by charities must be spent according to a set of rules known as "Disbursement Quotas" which 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%. This places a limitation on the gifting of premiums for a life policy which are not available for disbursement until death of the donor. Care should be taken to review this aspect with all parties when considering a Charitable Insurance Plan.

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 premiums, or substituted property, until TEN YEARS after the LAST premium was paid on the policy

Investment income is not included in a charity's disbursement quota calculations. In addition, the charity does not pay any tax on investment income. This allows the charity to be indifferent to owning an exempt or non-exempt life insurance policy.

Your Company Name

Charitable Insurance

(current date)

page 3 of 5

POLICY OWNERSHIP & BENEFICIARY CONSIDERATIONS

There are a number of options available and each has a valid use depending on the objectives of the donor.

A simple way of setting this up so as to get the annual tax credits for the premiums, is to establish the charity as the owner and beneficiary of the policy. The donor, who is the life insured, then gifts a sum equal to the annual premiums to the charity (mindful of the 75% of taxable income rule) who then pays the premiums to the insurer. The gifted premium must fall within the charity's 20% quota of undisbursed gifts (for public foundations and charitable organizations).

A common variation of this method is to set up the policy on the donor's life, with his/her ownership (or use an existing policy set up in that way), and then make an absolute assignment of the policy to the charity. The donor then continues to pay premiums to the insurer and receives a tax receipt from the charity once proof of payment of the premium has been furnished to the charity. At the date of assignment, the cash value of the policy, plus the premium for that year will be eligible for treatment as a charitable donation.

Another method is to have the policy owned by the donor and the estate as beneficiary and the Will direct executors to pay policy proceeds to one, or more charities. In such cases, where the proceeds flow through the estate, a tax credit will be allowed (up to 100% of income) for the year of, and the year preceding, the donor's death. This approach provides the donor with both control and potential tax savings for the donor's estate.

For illustration purposes, the annual 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 Insurance

(current date)

page 4 of 5

CONCEPT ASSUMPTIONS

Insureds

Insured: Generous Lady,
Female Age 60 Non-Smoker

Prepared By:

Name: Agent / Broker

Product

Name: Universal Life
Policy Type: Single Life
Face Amount: \$250,000
Payment Method: Life Pay
Projected Annual Growth Rate: 6.000%

Alternative Investment

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

Your Company Name Charitable Insurance

(current date)

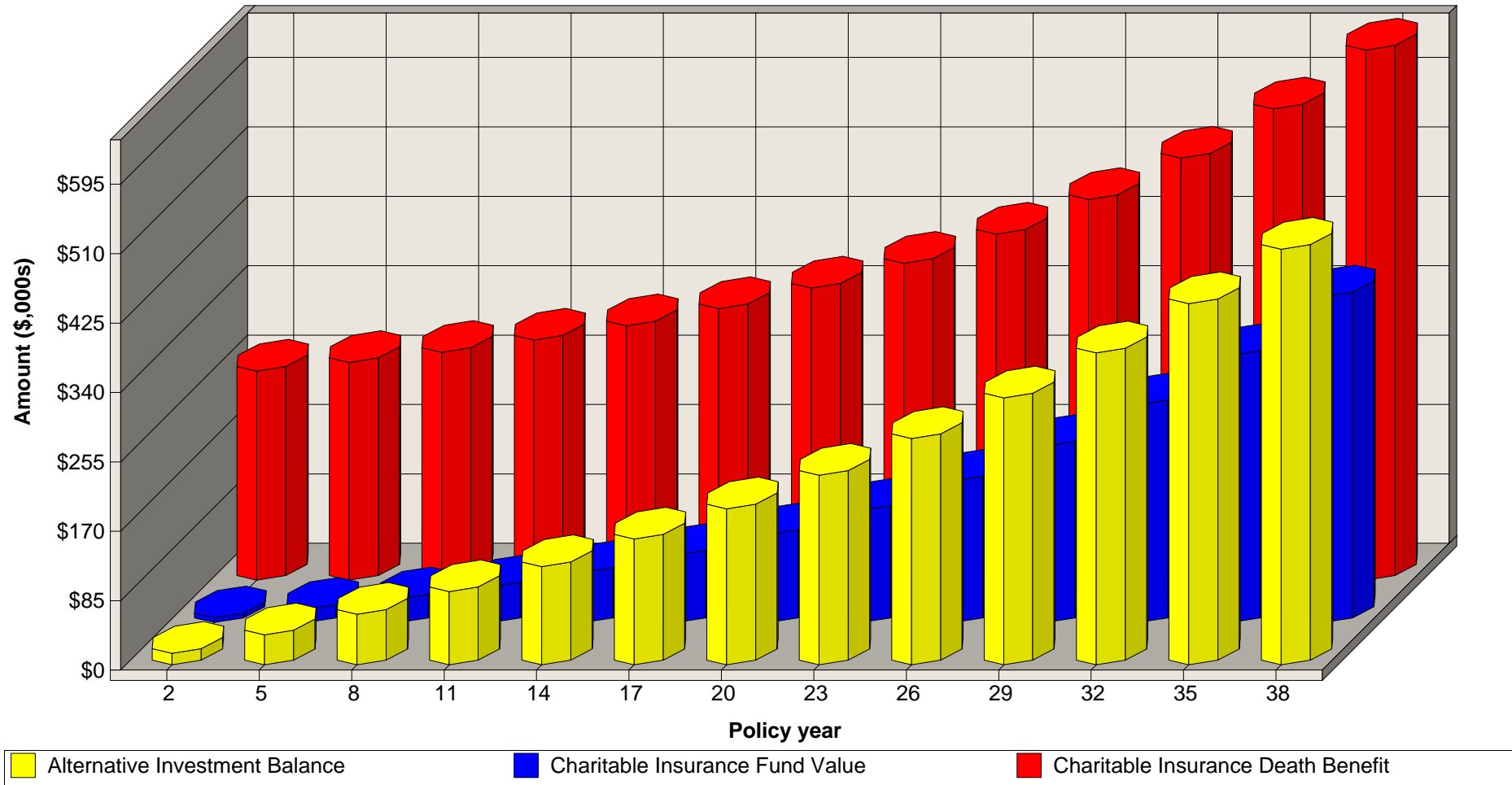
page 5 of 5

Pol Yr	Age	Annual Invest.	Alternative Investment			Life Insurance Policy			
			Annual Growth	AI Income Tax Payable	Benefit To The Charity	Total Donation	Tax Savings Portion	Benefit To The Charity	Fund Value Portion
1	61	6,682	401	180	6,903	6,682	2,968	252,937	2,937
2	62	6,682	815	367	14,033	6,682	2,968	256,050	6,050
3	63	6,682	1,243	559	21,398	6,682	2,968	259,350	9,350
4	64	6,682	1,685	758	29,007	6,682	2,968	262,849	12,849
5	65	6,682	2,141	964	36,867	6,682	2,968	266,556	16,556
6	66	6,682	2,613	1,176	44,986	6,682	2,968	270,487	20,487
7	67	6,682	3,100	1,395	53,373	6,682	2,968	274,653	24,653
8	68	6,682	3,603	1,621	62,037	6,682	2,968	279,069	29,069
9	69	6,682	4,123	1,855	70,986	6,682	2,968	283,751	33,751
10	70	6,682	4,660	2,097	80,232	6,682	2,968	288,713	38,713
11	71	6,682	5,215	2,347	89,782	6,682	2,968	293,973	43,973
12	72	6,682	5,788	2,605	99,647	6,682	2,968	299,548	49,548
13	73	6,682	6,380	2,871	109,838	6,682	2,968	305,458	55,458
14	74	6,682	6,991	3,146	120,365	6,682	2,968	311,723	61,723
15	75	6,682	7,623	3,430	131,240	6,682	2,968	318,363	68,363
16	76	6,682	8,275	3,724	142,473	6,682	2,968	325,402	75,402
17	77	6,682	8,949	4,027	154,077	6,682	2,968	332,863	82,863
18	78	6,682	9,646	4,340	166,064	6,682	2,968	340,772	90,772
19	79	6,682	10,365	4,664	178,447	6,682	2,968	349,155	99,155
20	80	6,682	11,108	4,998	191,238	6,682	2,968	358,042	108,042
40	100	6,682	32,371	14,567	557,322	6,682	2,968	704,545	454,545

Your Company Name

Proposal For: Generous Lady Prepared By: Agent / Broker

Charitable Insurance



Female 60 NS. PRODUCT: Universal Life. FACE AMOUNT: \$250,000. TAX RATE: 45.00%
AI RATE SPREAD: 0.00%.
NOTE: F.V. shown as portion of D.B. Must accompany a policy illustration. E.&O.E.