

## Overview

Mark and Jill, a married couple, were significant shareholders of ABC Corp, a publicly traded Canadian company. Over the years the business became very successful and both Mark and Jill felt that making a charitable gift was something they wanted to incorporate during their lifetime, or in their estate plan. They also wanted to maximize the gift by structuring it in the most tax efficient manner.

## Assumptions

- Mark - age 62, and Jill - age 63, are non-smokers and in excellent health.
- Their publicly traded shares in ABC Corp were owned 100% by Holdco, a privately-controlled Canadian corporation.
- Holdco Estate value before tax - \$4.5 million.
- Holdco has enough taxable income to absorb the deduction created by the donation of \$1M
- ABC Corporation shares have a nominal Adjusted Cost Base (ACB)

## Structure of the Gift

Mark and Jill met with their Advisor to review their will. The will was set up with instructions to the executor that they must donate \$1M of the ABC Corp shares to a specified charitable foundation. This would be adjusted if some part of the gift would be made during their lifetime.

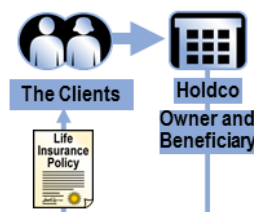


## Public Shares Gift Strategy

	Estate	Holdco	Heirs	Charity
Estate Value before tax	<b>\$4.5M</b>			
Tax on Capital Gain 22%	(\$ 1M)			
Estate Value after tax	<b>\$3.5M</b>			
Holdco gives \$1M public shares with \$0 ACB		(\$1M)		\$1M
Charitable Gift deduction with tax savings @ 46.7%		\$0.47M		
Gift CDA Tax Savings 32.08%			\$0.32M	
Capital Gain on \$1M tax savings			0.22M	
<b>TOTALS</b>	<b>\$3.5M</b>	<b>(\$0.53M)</b>	<b>\$0.54M</b>	<b>\$1M</b>

**Total Wealth Transferred \$4.5M**

A life insurance policy was put in place on the lives of Mark and Jill on a Joint Last-to-Die basis with Holdco being the owner and beneficiary of the policy.



The net result is a tax savings that replaced the value of the gift to the estate, and the life insurance death benefit of \$1 million returns the value of the gifted shares to the Holdco.

## Public Shares Gift Strategy with Insurance

	Estate	Holdco	Heirs	Charity
Estate Value before tax	<b>\$4.5M</b>			
Tax on Capital Gain 22%	(\$ 1M)			
Estate Value after tax	<b>\$3.5M</b>			
Holdco gives \$1M public shares with \$0 ACB		(\$1M)		\$1M
Charitable Gift deduction with tax savings @ 46.7%		\$0.47M		
Gift CDA Tax Savings 32.08%			\$0.32M	
Capital Gain on \$1M tax savings			\$0.22M	
Holdco death benefit		\$1M		
Ins. CDA Tax Savings 32.08%			\$0.32M	
Insurance Cost (13k/yr to LE age 90)		(\$0.36M)		
<b>TOTALS</b>	<b>\$3.5M</b>	<b>\$0.1M</b>	<b>\$0.9M</b>	<b>\$1M</b>

**Total Wealth Transferred \$5.5M**

## Enhancing the Strategy using Leveraging

Holdco was able to make excess deposits to the policy. By using a leveraging strategy, Holdco received loan advances from the life insurance leverage facility, and those funds were directed to eligible investments that assured the deduction of any interest paid on the borrowed funds. This resulted in an enhancement to the ultimate cash position of Holdco:

## Enhancing the Strategy using Leveraging

	Estate	Holdco	Heirs	Charity
Estate Value before tax	<b>\$4.5M</b>			
Tax on Capital Gain 22%	(\$ 1M)			
Estate Value after tax	<b>\$3.5M</b>			
Holdco gives \$1M public shares with \$0 ACB		(\$1M)		\$1M
Charitable Gift deduction with tax savings @ 46.7%		\$0.47M		
Gift CDA Tax Savings 32.08%			\$0.32M	
Capital Gain on \$1M tax savings			\$0.22M	
Holdco death benefit		\$1M		
Ins. CDA Tax Savings 32.08%			\$0.32M	
Add \$1.7M CDA tax savings			\$0.55M	
Insurance Cost (to LE age 90)		(\$0.10M)		
<b>TOTALS</b>	<b>\$3.5M</b>	<b>\$0.37M</b>	<b>\$1.41M</b>	<b>\$1M</b>

**Total Wealth Transferred \$6.2M**

Making a donation of publicly traded shares, in combination with life insurance, allowed Mark and Jill to make a generous contribution to their favorite charitable foundation. The use of the enhanced strategy enabled Mark and Jill to make the same \$1 million gift, but increased the cash position of Holdco by \$0.37 million and increased the value of total wealth transferred to \$6.2 million.