

## How you can benefit from being charitable

*"Nothing lives in the Dead Sea. It cannot support any life because rivers and streams only run into it, not out. The Dead Sea only takes, it does not give."*

Charities play a vital role in our society. The Canadian government recognizes this role and tax breaks exist to encourage taxpayers to give to their favorite charities.

Roger makes occasional donations to various charities. His donations are rather small and amount to only a few hundred dollars per year. He learned that he might get a bigger tax break if he was a little more generous with his donations.

Donations used to be a direct deduction from taxable income, but are now treated as tax credits. A taxpayer's federal income tax payable is calculated first, and then certain credits are deducted from the total owing. Provincial and territorial taxes are then calculated based on the federal taxes.

For cash donations to a registered charity, the first \$200 earns a federal tax credit of 15% and anything over this amount (within certain limits) gets a federal tax credit of 29%. Roger can actually get a larger tax credit on his donations over \$200 than what his federal taxes are. He is in the 22% marginal federal tax bracket.

For example, if he contributes \$1,000 to charity, Roger will get a federal tax credit of \$30 on the first \$200. The credit on the remaining \$800 is \$232. His federal taxes on the \$800 was actually \$176, so he

comes out \$56 ahead on his federal taxes. And he saves on his provincial taxes, too.

The amount of the provincial tax credit available varies by province. In Alberta, for example, the tax credit for donations over \$200 is double the 10% flat provincial tax rate. So, if Roger lives in Alberta, his total tax credits would amount to \$442, but he was taxed \$320, so he comes out \$122 ahead.

Mary has been a long time supporter of her favorite charity. She would like to make sure that her support continues after she passes away. Getting a tax break today also appeals to her.

Life insurance can help make her wishes come true. The procedure is quite simple. Mary applies for insurance on her life, or uses an existing policy, naming the charity as the new owner and beneficiary. She pays the premiums and the charity gives her a tax-deductible receipt each year for the amount of the premiums she paid.

This approach is very effective because Mary can make a substantial bequest in the future by making payments over time, which may suit her situation better. Her donation is private and won't be publicized unless she wants it to be. The gift cannot be contested by anyone because life insurance is not open to such attacks, unlike donations in a will.

**IMPORTANT NOTE** - This concept is based on the understanding that **premium donations are in addition to a donor's current support.**

**Want to make a difference to your favorite charity? Call today!**



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