

# The benefits of charitable insured annuities



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Welcome to part five of our six-part series outlining a range of creative strategies that can help you fulfill your philanthropic goals and support your community in the new economy.

While it is a complex strategy, charitable insured annuities do make sense for certain donors, especially those between 60 and 80 years of age with fixed income investments (eg. GICs) paying sufficient income to maintain their lifestyle.

This strategy combines two elements: life insurance and a life annuity. First, the donor purchases a life insurance policy equal to a value of their fixed income investments. With the policy in place, the donor then liquidates an equal amount of their fixed income investments and uses the proceeds to purchase a life annuity. The annuity pays the donor a set amount of income, which is guaranteed for life and may, in some cases, produce a higher after-tax income than the original investments provided. The life insurance policy is then donated to a charity that, as the new owner, makes itself the beneficiary. This means that

any future premiums, which can be paid by some of the annuity income, will generate a charitable tax receipt. When the insured dies, the charity receives the life insurance proceeds directly, outside the estate, thereby exempting it from probate taxes.

For the donor, the benefits of charitable insured annuities include a potential increase in after-tax income, a predictable stream of income for life and a gift to charity upon their death. That being said, the annuity purchase is irrevocable, so this strategy may be unsuitable if there is any chance the donor may require future access to their capital. The complexities of this strategy and the potential for medical exams make it essential to seek expert advice before using this tactic to support your charity of choice.

*Before making any financial decision or commitment, always consult an independent financial advisor.*

Please visit [www.lhsf.ca/annuities](http://www.lhsf.ca/annuities) or contact Colleen DeJager at 519.685.8416 or [colleen.dejager@lhsc.on.ca](mailto:colleen.dejager@lhsc.on.ca) to learn more about supporting local healthcare through charitable insured annuities.

*Donations to London Health Sciences Foundation fund innovative equipment, research, education and enhanced patient care – they are not used for the day-to-day operational costs of our Hospital, like administrative salaries or supplies. Simply put, donor dollars make our Hospital great.*

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