



DONATING REGISTERED PLANS (RRSPs, RRIFs) The Rotary Foundation (Canada)



Rotarians or friends of Rotary leaving all or part of their retirement savings to The Rotary Foundation (Canada) can be an attractive option for charitably-minded, tax savvy Rotarians and friends of Rotary. Upon the death of the individual, the proceeds of the registered plan are paid out to The Rotary Foundation (Canada). The executor of the donor's estate will include the balance of the registered plan in the deceased's final tax return and will receive a charitable receipt from The Rotary Foundation (Canada) for the same amount. This amount can be used on the donor's final tax return, or carried back to the year prior to the year of death.

Advantages

The Rotarian or friend of Rotary retains complete control over the assets until death. This means that, the donor can revoke that decision by designating a new beneficiary. In addition, the funds in the registered plan are available to the individual for use, if needed, in their retirement years.

Donor Recognition

The Rotary Foundation will recognize the Rotarian or friend of Rotary with Benefactor or Bequest Society recognition when they make The Rotary Foundation (Canada) a primary beneficiary of their RRSP or RRIF. Recognition includes Benefactor insignia or the distinctive diamond circle Bequest Society pin and engraved crystal, depending on the level of the gift. Please notify The Rotary Foundation of the bequest to ensure appropriate recognition is received.

Example

Mr. P. Harris had an RRSP worth \$100,000. Since he loved the work of Rotary and wanted to secure future programs, he names The Rotary Foundation (Canada) as the beneficiary of his RRSP. When Mr. Harris passed away in June, his income for that year was \$75,000 (not including the RRSP). Mr. Harris is taxed on his marginal income at 43%. In this case, the entire tax bill from the RRSP inclusion is offset by the tax savings from the donation. If Mr. Harris had other donations exceeding \$75,000, the executor may not be able to use the entire \$100,000 in the year of death, but could potentially carry it back to the preceding year.

Income from RRSP

Donation amount

Tax on income @ 43%

Tax savings from donation

Tax (savings)/cost

Mr. Harris' Final Return

\$100,000

\$100,000

\$43,000

\$(43,000)

\$NIL

Normally, when an individual has no spouse or minor or infirm dependants, the value of the registered plan is included fully in the final tax return and creates a liability. If the plan is donated The Rotary Foundation (Canada), however, the value of the donation receipt will offset the tax on the income inclusion. So instead of \$57,000 going to the will's beneficiary and \$43,000 going to tax, the entire \$100,000 can be given to the charity. For individuals who wish to leave the proceeds of their plan to The Rotary Foundation (Canada) without reducing the value of the estate left to heirs, wealth replacement insurance can help make up the difference.

Tips

- ✓ Donors must designate The Rotary Foundation (Canada) as the beneficiary of the registered plan's assets.
- ✓ The value of the registered plan is included as income in the year of death. However, the tax owing on this amount is usually eliminated by the value of the donation credit.
- ✓ Donors should consult a tax planner to ensure that the benefit of the gift offsets the final tax bill upon death.
- ✓ Donors with heirs should discuss their intention to donate assets to The Rotary Foundation (Canada) upon death.
- ✓ The limit for donation receipts is increased upon death to 100% of net income in the year of death and 100% of net income in the preceding year. If the donor is planning on leaving a substantial amount, steps should be taken to ensure that the estate will be able to use the entire donation receipt.
- ✓ For individuals who wish to leave the proceeds of their plan to The Rotary Foundation (Canada) without reducing the value of the estate left to heirs, wealth replacement insurance can help make up the difference.

For further information please contact the Regional Rotary Foundation Coordinator for your district or visit www.TRFCanada.org or contact **Carolyn Seabrook-Ferguson**, TRF Major Gifts Officer, Phone 847-859-7540 or 905-304-6831 email: Carolyn.Seabrook-Ferguson@rotary.org