



DONOR ADVISED FUNDS AND INSURANCE



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EXECUTIVE SUMMARY

One of the best partners to a Donor Advised Fund is insurance. There are three substantial benefits that make adding insurance to a DAF attractive:

- The premiums paid on the insurance can generate a charitable tax receipt;
- If donating an existing insurance policy, a charitable tax receipt is issued for the Fair Value of the policy on the date of donation;
- There is a substantial cash infusion to the DAF as the beneficiary of the insurance policy that may also be charitable tax-receptable.

This report goes into detail on how DAFs and Insurance can work together to minimize taxes and maximize charitable giving.

The report provides statistics on the extent to which insurance currently exists in Canadian Donor Advised Funds.

The report also provides specific, real-life numerical examples of how an insurance product can be used in a DAF.

Principle conclusions of the Report

- Donor Advised Funds (DAFs) and Insurance are natural financial product partners.
- When combined with a DAF, the insurance premium can be tax-receipted for the policyholder. To achieve this, the DAF is made the irrevocable beneficiary of the insurance policy.
- There are two types of life insurance that can be donated to a DAF: Term Life Insurance, and Whole Life Insurance. We discuss the difference between these two financial products.
- With the donation of Life Insurance to a DAF, there are two options to consider:
 - Donating the ownership of the life insurance policy to the DAF immediately;
 - Retaining the ownership of the policy and naming the DAF as the beneficiary of the policy.We discuss these two options and the different tax outcomes of each.
- Using information from Form T3010 annual submissions filed to the Canada Revenue Agency by Charitable Organizations, we find that 5 percent of all Charities in 2024 reported Gifts-in-Kind donations of Insurance product.
- The total value of donated insurance product in 2024 was \$9.7 million. The average value of donated insurance product was \$101,137 and the median value was \$1,579.

- We provide four numerical examples of donation of insurance and present the Starting Point, Strategy, Annual Impact, and Legacy Impact of each:
 - **A Tax-Efficient Strategy Utilizing a Doner-Advised Fund (DAF) and Life Insurance to Create a Large Charitable Legacy**
 - **Using a DAF and Life Insurance to Manage Taxes to be Triggered by an Event while Creating a Charitable Legacy**
 - **Reducing RRIF Tax Exposure While Creating a Charitable Legacy**
 - **Significantly magnify a charitable legacy by simply redistributing the yearly donation**

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Our Vision

We will participate in a thriving Canadian philanthropic sector where the most impactful charities with the highest governance standards are celebrated and supported by donor capital.

Our Mission

The Veritas Foundation aims to be Canada's authoritative source for participating in the country's charitable sector and evaluating its effectiveness and impact.



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