



## The Northumberland Hills Hospital: Part of your Family

When thinking about preparing a Will, most individuals divide their estate among their family and friends. But what people may not consider are the possible tax consequences of this decision.

Ask yourself, **“If you had to choose to give a portion of your estate to the government in tax, or to a charity like Northumberland Hills Hospital Foundation, which one would you prefer?”** Including a “charity child” in your Will will ensure you provide for your loved ones, while leaving a legacy to a cause you feel strongly about and limiting taxes paid by your estate.

For example, through careful estate planning, a husband and wife with three children divide their estate into four parts, leaving the last portion to a charity, such as Northumberland Hills Hospital Foundation. Upon the death of the couple, their Will outlines each of the three children will receive a portion of the estate. The fourth portion is dedicated to the “charity child”. The estate will benefit with a donation receipt for the gift, which will help offset the tax payable. The children will receive the portion allotted to them and they will be able to celebrate their parent’s legacy and help to secure the future of an organization they believed in.

### ILLUSTRATION



Mr. Jones is a widower and has three grown children. At time of death his estate is valued at \$400,000, including \$40,000 in appreciated publicly listed stock, with a cost base of \$10,000. The donor’s net income in the year of death is \$50,000 not including the taxable capital gain on shares.

Without a “Charity Child” and if Mr. Jones leaves an equal share of his estate to his three children they will each receive \$123,583 after taxes.

OR

If Mr. Jones leaves a \$40,000 charitable bequest\* (10% of his estate) in his Will to a charity he strongly believes in (His “Charity Child”) and receives a generous tax benefit, each of his three children will each receive \$118,500 after taxes.

| Illustration                                       | Without a “Charity Child”<br>(No bequest to a charity in Will) | With a “Charity Child”<br>(Bequest to a charity in Will) |
|--|--|--|
| Charitable Bequest                                 | 0  | \$40,000   |
| Fair market value of stock*                        | \$40,000   | \$40,000   |
| Capital gain                                       | \$30,000   | \$30,000   |
| Total net income (before capital gain)             | \$50,000   | \$50,000   |
| Taxable capital gain (50% of capital gain)         | \$15,000   | 0  |
| <b>Total taxable income</b>                        | <b>\$65,000</b>  | <b>\$50,000</b>  |
| Tax** (45%)  | \$29,250   | \$22,500   |
| Tax credit on \$40,000 bequest of stock (45%)      | 0  | (\$18,000)   |
| <b>Tax payable</b>                                 | <b>\$29,250</b>  | <b>\$4,500</b>   |
| Value of Estate after taxes and charitable bequest | \$400,000 - \$29,250 = \$370,750                               | \$400,000 - \$40,000 - \$4,500 = \$355,500               |
| <b>Remainder for Each Child</b>                    | <b>\$123,583</b>   | <b>\$118,500</b>   |

Source: Adapted from a document originally prepared by The Niagara Community Foundation , Huronia Communities Foundation and Community Foundations of Canada. Used with permission. Special thanks to Helen Deboer Daggett



## The Northumberland Hills Hospital: Part of your Family continued

Many of our donors are, or were, once recipients of our healthcare services. For some, financial circumstances may restrict them from giving significantly during their lifetime. Providing for the hospital in your estate can say “thank you” and it’s a wonderful way of ensuring excellent care and programs at the hospital continue, as well as saving on estate tax.

The Northumberland Hills Hospital Foundation is grateful for all the gifts it receives. Foundation staff who specialize in gift planning can provide assistance to lawyers, advisors and individuals on how they can include the hospital in their Wills. We want to ensure our supporters the funds received through bequests are invested and distributed according to their wishes. ***Every gift regardless of its size makes an impact!***

For further information on how to include a bequest in your estate planning or details on how to make a change or addition to your current Will, please contact your advisor or Rhonda Cunningham at (905) 377-7767 or [rcunningham@nhh.ca](mailto:rcunningham@nhh.ca)

\* In order to take advantage of preferential tax treatment of public securities the donor's Will must either list specific shares or direct the executor to use appreciated securities to fund the intended charitable gifts. The second option is preferable so that there is flexibility for the executor and in the case of investment portfolio changes there is no need to change the Will.

\*\* For illustration purposes a combined Federal & Provincial tax rate of 45% was used.

**For more information  
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