

Will bequests are a popular way to make a planned gift.

And a will bequest can provide valuable tax benefits to your estate.

Gifts planned within a will usually take two forms:

- outright gifts of a specified amount of money or piece of property,
- or a portion (typically a percentage) of the residue of the estate.

The residue of the estate is the amount left after the expenses, taxes and other bequests have been paid.

Having a will is the only way to ensure that your assets will be dispersed according to your wishes. Things you should know:

- ▶ If you do not have a will your property and finances are settled according to federal and provincial laws by an administrator appointed by the government.
- ▶ Changes to a will can be made through a codicil which is a separate document in which the changes are legally made. The will and the codicil together form the new will of the individual. Creating a codicil is easy and inexpensive.
- ▶ Canada has no estate taxes, however most provinces have probate fees which are based on a percentage of the value of your estate.
- ▶ Bequests of cash or the deceased's principle residence can be left to an heir tax-free.

See over for more.



Ducks Unlimited Canada
Conserving Canada's Wetlands





Audrey and John have included Ducks in their will.

“My commitment to wildlife conservation has led me to a very rewarding 24 years as a Ducks Unlimited Canada volunteer. Audrey and I are comforted to know that by pledging a percentage of our estate to Ducks we will continue to contribute towards maintaining and enhancing important wildlife habitat.”

—John Taggart

John is a 24-year volunteer of DUC, lives in Medicine Hat and has a fulfilling career with Alberta Fish and Wildlife.

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▶ When an individual dies with an estate of appreciated property such as securities, artwork or real estate where the current market value exceeds the purchase price, the government deems that the individual disposed of that property at fair market value one minute before death. A portion of that capital gain (*the difference between what you paid for it and what the fair market value is*) is then taxable on the individual's final tax return. This is known as the **deemed disposition** and is typically one of the largest tax bills at death.

▶ A charitable will bequest results in a tax receipt that can be used to offset taxes owing on up to 100 per cent of taxable income on your final tax return. Any amount of the tax receipt not used can be carried back one year to claim a refund on up to 100 per cent of the tax paid in the previous year.

▶ A testamentary trust (*typically called a spousal trust*) created under the will defers the taxes owing on a capital gain until after the death of the spouse.

Save the Tax - Example Will Bequest Scenario

Fred Smith leaves a \$250,000 lump sum bequest in his will to DUC. Fred has a total estate of \$900,000 which includes stocks, a RRIF and a condominium. Due to the **deemed disposition** (see above) of these appreciated assets his net income on his final income tax return is \$200,000. Fred's income in the year prior to his death was \$50,000. However, his will bequest donation will help him save a large part of the tax that is now due.

Amount of will bequest:	\$250,000
Amount used for credit on his final tax return:	\$200,000*
Amount used for credit on his previous year's return:	\$50,000
Total credit claimed:	\$250,000
Actual tax break realized:	\$112,500**

* 100% of the donation may be claimed providing a credit of 100% x claim amount.

**Based on 45% combined federal and provincial tax rate.

Mr. Smith saved \$112,500 on his taxes.

Note: Tax savings are approximate. We are assuming a 45% combined federal and provincial tax rate and a 45% combined tax credit. This will vary depending on where you live. The illustration above may not include all factors relevant to a donation situation. To fully determine how a planned gift can fit into your financial or estate plans, we suggest that you discuss these options with your legal, tax or financial advisors. DUC can provide a third-party contact to help if requested.

For further information on this program, please contact:

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National Planned Giving Manager

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The Feather Society is a special group of people who have included DUC in their financial and estate planning. Once you make a pledge to this program you will be presented with your Feather Society pin. Your name will also appear in our Annual Report as a contributor.