

Based on a study conducted by Statistics Canada, “Generosity in Canada: Trends in Personal Gifts and Charitable Donations Over Three Decades, 1969 to 1997”, the average total charitable contribution per Canadian household stood at \$371.00 in 1969, rising steadily through several fluctuations to reach \$428.00 in 1997. Canada also saw a 53% increase in the value of charitable giving from 1999 to 2001. According to the Canadian Centre for Philanthropy, this growth was due largely to the effect of gifts of assets such as stocks (we will look at this strategy next month). During the same period, fifteen new tax incentives for gifts of assets from individuals were also introduced.

Last month’s issue of Future Keys looked at one of 3 gift planning strategies that can help you to make a special gift to TB Vets more tax effective (RRSP/RRIF Plan Assets). Here is gift planning strategy number 2:

## BEQUEST ALTERNATIVE B: Charitable Remainder Trust

Perhaps the greatest benefit is the joy of being able to give a major gift today without a change in lifestyle. TB Vets benefits in the future, but significant tax savings are realized for you now! Here’s an example:

Mrs. Margaret Benefactor, aged seventy-eight, has no children and an estate valued at \$1 million. She plans to leave the entire amount to four favourite charities, TB Vets being one of them. Her tax liabilities at death are estimated to be approximately \$200,000, while her tax credits from the gift will be approximately \$464,000. While she is worried about the possible future expenses associated with a retirement and/or nursing home, her advisors have told her she will have about \$264,000 in unclaimable charitable tax credits when she dies. Some of these credits can be used now without a change of lifestyle or future security.

By allocating assets to a “charitable remainder trust” of say \$250,000 a receipt of \$134,247 would generate tax credits of approximately \$62,000, which could be claimed over up to six years. While the trust “saves” only a portion of the tax credits, this structure ensures that Mrs. Benefactor continues to receive the income from both the assets in the trust and her other assets, and that she has access of the remaining capital of

\$750,000 to address possible future needs. The remaining capital would still pass to the Charities under her Will and the tax credits created by that gift would then be available to offset the tax liabilities arising on death.

There are the additional planning benefits of freedom from probate fees, privacy, and reduced risk of estate challenge too.

In summary, the “charitable remainder trust” enables a donor (typically age 75 or more) to transfer assets into trust, retain the life income from the assets in the trust, and designate one or more charities to receive the trust assets when they die. The donor receives an immediate tax receipt for the present value of the remainder interest in the trust. This strategy offers donors the advantage of initiating tax savings now by setting aside capital in trust without affecting their quality of life.

Next month: “Improving Your Gift of Cash”

The information provided above is just one of the many ways you can provide a significant gift to your favourite charity. Please talk with a professional advisor to see what options are best for you.