



Charitable Remainder Trusts

A **Charitable Remainder Trust** is a way of giving assets to your congregation and/or The Presbyterian Church in Canada through a trust agreement. A charitable remainder trust can be established by contributing cash, bonds, stock securities, mutual funds or real estate to a trustee who manages it and pays you the income earned for the rest of your life. You may choose a charitable remainder trust because you have an asset that you would eventually like to give to your congregation or the PCC, but you want to receive the income it provides now and you do not wish to part with your asset at this time. When the trust is created, you receive an immediate tax receipt for a part of the trust amount.

You will need to name a trustee, and this person or institution manages the trust. When or even if the trust’s assets produce income, the trustee pays the net income to you, the donor, or other named beneficiaries for life or for a set term or number of years.

When the trust terminates (upon your death or the death of other beneficiaries of the trust – such as a son or daughter – or the term of the trust expires), the trustee gives the remaining assets in the trust to the charity.

This is a complex gift that is planned with your personal financial advisors and is based on your individual and particular situation, and those of your family and/or dependents.

Benefits

- **Tax Planning** – It may be possible to eliminate capital gains tax entirely at the time appreciated assets are contributed to the CRT.
- **Tax Benefit** – A charitable tax receipt is issued upon transferring assets to a trust that names your congregation and/or The Presbyterian Church in Canada as the capital beneficiary. CRA has allowed a beneficial tax treatment of capital gains on these gifts.
- **Income** – If you are the income beneficiary, you receive regular income from the trust for life or for a term of years.
- **Eliminates Probate Fees** – Assets held in the trust are not subject to probate fees and are less susceptible to challenge than a charitable bequest.
- **Worry Free** – If the trustee is someone other than you, you are freed from management responsibility for the trust assets.
- **Privacy** – The trust agreement can be kept private, unlike a will, which may become a public document upon your death.



Creating a Charitable Remainder Trust (CRT)

This type of legacy gift is most often considered by donors with upper-incomes and who, generally speaking, are over the age of 75. This type of gift vehicle helps individuals organize extensive holdings where they find themselves in a high marginal tax bracket (and can benefit from immediate tax relief). The individual also has the ability to donate some of his/her assets now. This type of agreement suits those who want to receive a steady income for life (or who wish to provide income for a loved one) and who also would like to be freed from managing extensive investments while also donating a substantial gift to the mission and ministry of the church.

Issues to Consider

While CRTs present an interesting and creative giving option for some, there are additional issues to consider when deciding on whether a CRT is for you. In order to qualify to receive a donation receipt, contributions made to the trust must be irrevocable. Once assets are contributed, you, the donor, give up control of those assets – you cannot take them back. Additionally, you can never encroach on the trust assets/invested capital.

Furthermore, most financial institutions in Canada will not set up a trust for under \$100,000 (and in many cases it is much higher). All financial institutions charge set-up fees as well as ongoing fees to manage and administer the trust. Discharge, disbursement and termination fees are often also charged by the financial institution. It is wise to ask any financial advisor or institution for a total list of fees up front.

Please Seek Professional Advice: The Presbyterian Church in Canada strongly recommends that you seek professional advice to ensure your financial situation and those of your dependents are considered, that your tax situation is reviewed and that your legacy gift is tailored to your circumstances. For further information, please contact Jim MacDonald, Development Manager, at 1-800-619-7301 / 416-441-1111 ext. 257 or email plannedgiving@presbyterian.ca.

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