

Charitable Remainder Trust: A Gift & Income

You may be reviewing your charitable giving strategies as part of your estate plan. This may help answer some of your questions.

Q. What is a Charitable Remainder Trust (CRT)?

A. It is a “life income” charitable gift. Most commonly used to replace a bequest by Will to charity, this tax-planning tool provides you with immediate tax savings and an income for life.

Q. How can a CRT be established?

A. Cash or securities in trust can be transferred for the ultimate benefit of one or more charities in proportions you specify. As the donor to this lifetime trust, you (or you and your spouse) can receive income for life. Upon death, the capital in the trust will pass directly to the named charities.

Q. What is the primary advantage of a CRT?

A. You receive an immediate tax receipt for a future gift. CRTs may be used to bring forward tax credits for use during life that would be otherwise lost at death with a bequest. In some circumstances the savings are large enough to eliminate taxes for up to six years.

Q. How do I know if a CRT is right for me?

A. Your charitable giving strategy should be considered as part of your estate plan. Typically those for whom CRTs are of most benefit:

- Have charitable interests and are comfortable that 25% or more of their estate will go to charity.
- Are aged 65 years or older.
- Wish to make a current charitable gift of assets without giving up income.
- Prefer to transfer assets outside the Will for privacy or probate planning reasons.
- Wish to convert appreciated common stock into income producing investments but not pay tax on the disposition.

Q. What qualifications are there for a CRT?

A. In order to qualify for a receipt:

- A CRT must be irrevocable and the capital cannot be encroached upon.
- The charitable remainder beneficiaries may not be changed once the trust has been established.
- As stand-alone trusts, CRTs require a minimum of \$250,000 to establish.

At Scotia Private Client Group, our trust experts can show you how a CRT would make your estate plan more tax-effective, while allowing you the satisfaction of making a major gift to your favourite charity during life.

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