

Lisa Westermark



# Charitable Remainder Trust vs. Will: How to Best Advise Your Client

Many of your clients may not have heard of a Charitable Remainder Trust (CRT) and won't know how it can help them.

If a client wants to leave his estate to charity but is concerned about a challenge from family, has made a Will with a portion of his estate donated to charity but needs immediate tax relief, or wants to make a charitable gift but needs an income to live on, a charitable remainder trust could be the best option.

Charitable remainder trusts are a valuable estate-planning tool that can benefit your client and help the charities carry out their mission.

By making a charitable remainder trust, the client receives an immediate income tax receipt and benefits from a steady income for life. CRTs are an excellent option for people over age 60 who want to provide future charitable support, receive income for life, simplify their estate, and be free of investment management worries.

An individual creates a CRT by irrevocably giving assets, such as cash, securities, GICs, Canada Savings Bonds, to a trustee—for example, a financial institution—to manage. A trust agreement is signed by the donor and the trustee. When the trust is established, the charitable society gives the donor an income tax receipt.

The trustee pays regular income to the donor and/or other named recipients from the trust for life or for a term of

years. When the trust terminates, the trustee pays out the trust assets to the charity.

Here is an example of an actual CRT that a generous donor has established through the Canadian Cancer Society.

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Edna\* contributed \$200,000 in GICs, Certificates of Deposit, and cash to a CRT and has instructed that, upon her death, the trust assets be directed to the Canadian Cancer Society. She received a tax receipt from the Society for over \$136,000 and will receive regular income from the trust for the rest of her life. When Edna passes away, the trustee will distribute the remaining trust assets to the Society in accordance with her wishes.

By including a CRT as part of a financial/estate plan, you can assist your clients in ensuring that they and their loved ones are effectively taken care of, while at the same time, assisting worthy charities.

## **Benefits from a Charitable Remainder Trust**

1. **Immediate income tax receipt**  
The client receives a tax receipt when he

or she irrevocably contributes assets to the trust. (The receipt is for the *present value* of the gift.)

2. **Regular income for life**

The client (or a loved one) receives regular income from the trust for life or for a term of years. It's the client's choice.

3. **Privacy**

A Will becomes a public document after death. The trust agreement remains private.

4. **Reduced estate costs**

Because the trust assets are not part of the estate, probate fees, executor's fees, and estate-related legal fees may be lower. In addition, the trust assets are protected from claims against the estate.

5. **No management worries**

The client doesn't have to manage the investments held in the trust. The trustee does that work.

6. **The satisfaction of helping**

Once the investments are irrevocably contributed to the trust, the trustee will distribute funds directly to the charity when the trust terminates. ▲

*\*The donor's name was changed to ensure privacy.*

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