

CHARITABLE REMAINDER TRUST

A Charitable Remainder Trust (CRT) is a special arrangement that allows you to donate your assets to March of Dimes Canada while still benefiting from them, through a legal trust.

How does this work? You give bonds, stocks, mutual funds, or real estate to a trustee who will take care of and oversee these assets.

By doing so, you can continue to receive income from these assets for yourself or your loved ones. This can be particularly helpful if you want to support March of Dimes Canada in the future but still rely on the income generated by your assets right now. It's a smart strategy that allows you to give back while ensuring your financial needs are met.

WHAT ARE SOME OF THE BENEFITS OF A CHARITABLE REMAINDER TRUST?

- 1. Reliable Income:** Establishing a Charitable Remainder Trust (CRT) can provide you with a steady lifetime income stream, ensuring financial security for you and your loved ones.
- 2. Tax Advantages:** By transferring assets to the trust with March of Dimes Canada named as the capital beneficiary, you become eligible for a charitable tax receipt. This receipt can help reduce your tax obligations and potentially generate significant tax savings.
- 3. Effective Tax Planning:** The five-year carry-forward provision allows for effective tax planning during your lifetime, offering more flexibility compared to the one-year carry-back provision upon death.
- 4. Favorable Tax Treatment:** The government extends beneficial tax treatment to capital gains associated with these charitable gifts. The capital gains are "frozen" and assessed based on their present-day value, mitigating potential tax burdens.
- 5. Professional Management:** Entrusting the management of your trust to professionals relieves you of the daily investment decisions and concerns related to market fluctuations, ensuring peace of mind.

- 6. Probate and Estate Fee Elimination:** Transferring your assets through a trust bypasses probate fees and other estate costs, potentially resulting in substantial savings for your estate.
- 7. Protection against Will Challenges:** By directing assets to a trust, you maintain privacy and minimize the likelihood of legal disputes or challenges to your will.
- 8. Retained Control:** Until your passing, the trust retains ownership of your assets. It ensures that you have control over your wealth and can make decisions regarding its ultimate distribution.
- 9. Recognition:** March of Dimes Canada is grateful for your lasting legacy gift and is dedicated to recognizing your generosity and commitment to supporting individuals living with disabilities.

HOW DOES A CHARITABLE REMAINDER TRUST WORK?

When you establish a Charitable Remainder Trust (CRT), you are supporting the March of Dimes organization while also gaining certain tax benefits. The Canada Revenue Agency (CRA) offers a formula to calculate the fair market value of the remainder interest, which refers to the value of the assets that will eventually be given to the March of Dimes charity. This formula takes into account factors such as your life expectancy and the present value of the property you transfer into the trust. To get an accurate value for the remainder interest, it is essential to obtain professional valuations.

Once the value is determined, you will receive a charitable tax receipt for that amount, which allows you to claim tax deductions or credits based on the applicable tax regulations. This can be highly advantageous, as it helps you maximize the impact of your charitable giving while potentially reducing your tax liabilities.

However, before creating a trust, it is crucial to consider the total cost involved in setting up and administering it, and weigh it against the future tax reduction and other benefits it will provide. The assets within the charitable remainder trust should be worth at least \$150,000 to help offset any fees. The good news is that these fees are tax-deductible, which can further contribute to the tax benefits of establishing the CRT.



IMPORTANT POINTS TO REMEMBER

- **Permanent Transfer:** Once assets are transferred into a Charitable Remainder Trust (CRT), the decision becomes irreversible and cannot be undone or altered at a later time.
- **Charitable Tax Receipt:** The amount of the charitable tax receipt received by the donor is determined using a formula established by the Canada Revenue Agency (CRA). This formula takes into account factors like the donor's life expectancy and the present value of the assets transferred to the trust.
- **Fair Market Value of Remainder Interest:** The CRA's formula calculates the fair market value of the remainder interest, representing the value of assets that will eventually be donated to the chosen charitable organization.
- **Professional Valuations:** Accurate valuations by financial experts are crucial in assessing the worth of the assets involved in the trust. These valuations ensure a fair and precise representation of their value for tax and legal purposes.

Speak to your financial advisor, or lawyer to discuss your options. This document is not meant to substitute financial advice.

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