



UNIVERSITY OF OTTAWA  
HEART INSTITUTE  
INSTITUT DE CARDIOLOGIE  
DE L'UNIVERSITÉ D'OTTAWA

## Planned Giving: Charitable Trust

Donations through trusts are ideal for those donors who have substantial income-producing assets (cash, securities, or real estate), but who want to retain use of the assets, provide income for a surviving spouse or children, save on taxes, and avoid probate fees.

A **trust** consists of:

- The person who creates it by transferring assets to the trust
- The person or institution that manages it
- The person or persons who receive the **income** (*interest or earnings*) from it
- The persons or charity that receives the remaining **capital** amount once the trust terminates

The person who creates the trust can also be the same person who manages and receives income from the trust.

There are **living trusts** (established during one's lifetime), and **testamentary trusts** (established at death through instructions in the will).

You can arrange a trust as a:

- **Spousal Trust**—provides an income to your spouse during your lifetime or once you pass away. Spousal trusts are more commonly established as testamentary trusts.
- **Trust for Children or Other Family Members**—arranged during your lifetime or upon death to provide an income to your children, grandchildren, siblings, or other family members.

## Trusts as Charitable Gifts

A donation through any type of trust is called a **Charitable Remainder Trust**. You or a designated person or persons would retain use of the income from the trust. Once the trust terminates, all or a portion of the remaining capital amount in the trust is given to charity.

### Benefits to the Donor

- You or a designated person or persons will receive a continuous flow of income until the trust terminates.
- You have the option of choosing more than one beneficiary, either for the income or the capital amount.
- You or your estate will benefit from tax credits.
- The assets in the trust are held outside your estate; therefore, the assets are not subject to probate fees.
- All trustee fees are paid from the income from the trust.

### Charitable Tax Credit

The timing of the charitable tax receipt depends on whether or not the beneficiaries of the income from the trust are allowed to draw from the capital amount of the trust.

A charitable tax receipt will be issued when the trust is created if a legal agreement is reached with the charity that the income beneficiaries will not be allowed to encroach on the capital. (The amount of the charitable tax receipt is calculated using the appropriate discount factor to reflect the present value of the assets that the charity will receive from the trust.) Otherwise, the tax receipt will be issued once the charity receives the money, upon termination of the trust.

Please consult with your legal or tax advisor to ensure that you receive a full and accurate explanation of the benefits to you of your charitable gift.