



Gift through a Charitable Remainder Trust

This is an arrangement under which the donor irrevocably transfers property (cash, securities or real estate) to a trustee, usually a trust company. The donor retains the right to the income from the trust, either for life or for a specified term of years. At the end of that time, the residual capital is payable to Brock University. Expert counsel is needed to complete this type of transaction.

When the donor establishes the trust, he or she, provided certain criteria are met, receives a charitable donation receipt for the value of the remainder interest. Generally, the valuation is relatively straightforward and is based upon a valuation of the gift property, the expected duration of the life-interest, 'representative' interest-rate and life expectancy.

There are a number of advantages to the donor when establishing an irrevocable Charitable Remainder Trust:

- ♦ provision of lifetime income to the donor
- ♦ provision of an immediate tax receipt
- ♦ provides beneficial treatment of capital gains
- ♦ donor is free from investment decisions since the trustee can arrange for professional management of the trust assets
- ♦ avoids probate and other estate costs because the assets in a trust pass outside of the estate process
- ♦ not contestable
- ♦ provides privacy for those donors who wish their philanthropy to remain a private manner

Note:

A gift of residual interest in property is similar to a charitable remainder trust, for in both cases the donor gives the future interest but retains a present interest. When investment assets are transferred to the University and the donor retains the income earned on those assets, the arrangement is called a "charitable remainder trust." When property, such as a residence or an art work is committed and possession is retained, the arrangement is called a 'gift of residual interest.' In the first instance, the University would receive what is called a 'remainder trust,' while in the second instance, the University would receive what is called "residual interest"

Donors considering this type of gift are encouraged to seek professional counsel.