

## Charitable Remainder Trusts

The KGH Foundation welcomes Charitable Remainder Trusts.

### Benefits of this Planned Gift:

- ↳ Immediate tax benefits
- ↳ You receive income from the trust assets
- ↳ Earn additional income on the tax recovery
- ↳ Reduces probate & executor's fees
- ↳ Assets pass outside of your estate

A Charitable remainder trust (CRT) is a highly flexible planned gift that can generate income while protecting assets. A CRT may be created during your lifetime or through your estate. Capital is used to create the trust, and income earned on the capital is paid out to the income beneficiaries of the trust. When the trust ends, the capital flows to the KGH Foundation as the remainder beneficiary. You may include more than one remainder beneficiary for your charitable remainder trust.

If you intend to leave a sizable gift to the KGH Foundation through your estate, you may wish to consider establishing a Charitable Remainder Trust. You would receive the immediate tax benefits from your gift now, and would receive income generated from the assets placed in trust throughout your lifetime. The charitable tax receipt you would receive from establishing the trust may be used to offset taxable income, with any unused portion of the receipt carried forward for up to 5 years.

Additional assets may be gifted to your trust during your lifetime. It is important to understand that a CRT is an irrevocable gift. This means the assets may never revert back to you. Therefore, it is important that a CRT be considered alongside your overall financial strategy with the advice of your financial advisor to ensure current and long-term access to sufficient capital and liquid assets.

# KGHFUNDATION



**Sample** based on a single donor aged 75 at a maximum tax bracket of 43.7%

A GIC, Term Deposit, or Bond

Investment	\$ 400,000
Annual interest income @ 5%	\$ 20,000
Less annual tax payable @ 43.7%	<u>\$ - 8,740</u>
<b>Annual after-tax income</b>	<b>\$ 11,260</b>

Charitable Remainder Trust

Trust contribution	\$ 400,000
Donation Receipt	\$ 244,000 (PVC)
Tax recovery @ 43.7%	\$ 106,000
Value of assets generating income after tax recovery	\$ 506,000
Annual income @ 5%	<u>\$ 25,300</u>
Less annual tax @ 43.7%	\$ - 11,056
<b>Annual after tax income @ 43.7%</b>	<b>\$ 14,244</b>

Increase in after-tax income	\$ 298
Percentage increase in after-tax income	26.5%

PVC is the Present Value Calculation, based on a life expectancy of 10 years and a 5% interest rate.

The donor will receive all the income generated by the CRT for their lifetime and will continue to benefit from the additional capital and income generated by the after tax recovery in the CRT.