KGHFOUNDATION

Residual Interest in Property

The KGH Foundation welcomes gifts of Residual Interest.

Benefits of this Planned Gift:

- Immediate tax relief
- Retain the use of property for your lifetime
- Donor pays no tax on capital gain if principal residence
- Avoids probate fees

If you are considering donating a gift of property to the Foundation, yet would like to continue to enjoy this property for the remainder of your life, a gift of residual interest might interest you. Through a gift of residual interest, you will receive the tax benefits of your gift now, even though the ownership of the property transfers to the Foundation upon death. You retain possession and full use of the property for your lifetime.

This gift will not impact your lifestyle because you will continue to possess and enjoy the property, whether this is an art collection, your primary residence, or a recreation property. You will receive the tax benefit of your gift now, which will reduce your current income tax. You may even select to retain the use of the property for the life of your spouse, your children, or a sibling.

A gift of residual interest is particularly favoured if you have a primary residence that has significant capital gains. If a principal residence, the donor pays no tax on the gain. For other property, such as recreational properties, 50% is taxed on any gain.

The value of your donation receipt is based on the present day value of your property and the life expectancy of the individual(s) who will use the property (or the number of years if based on a defined term rather than one's life), and the appropriate discount rate.

Later in life, if you elect to relinquish the use of the property before death, the following options are available:

a) The remaining life interest is donated to the Foundation and you receive another donation receipt. The receipt would be calculated on the present value of the residual interest based on the life expectancy at that time.

b) You may choose to rent the property, in which case you retain the net rental income.

c) Upon mutual agreement, the property may be sold. The sale proceeds would be divided based the residual and life interest values at the time of the sale. For example, if sold for $250,000 and the donor's life interest at that time was $100,000 then the donor would receive this $100,000 and the Foundation would receive the remaining $150,000.

If the property is sold, the donor may wish to place their proceeds of the sale into a charitable gift annuity or a charitable remainder trust. These lifelong payments may then be applied toward the donor's current living costs. This option is a welcome alternative for donors who may address heath issues later in life.