A Gift by Will

When family and friends are cared for, we hope you will remember Carleton University in your estate plans. Your legacy gift will brighten the future of every student who is touched by your thoughtful generosity.

A gift by will is a deeply personal, forward thinking way to connect with our mission. When you want to reduce or even eliminate your final income taxes, a well-planned charitable gift is ideal. You can make a gift in your will and maintain financial security during life and disinherit the taxman at the same time.

Your legacy at Carleton University could make a world of difference. It could be a lasting contribution to the future as an endowed fund where Carleton invests your donation and uses only the earned income. In this way, your fund will grow over time and outpace inflation. Income is awarded annually in the donor's name. Endowed scholarships and bursaries are the best examples.

If you would rather make an immediate impact your gift by will could be directed to capital funding. Buildings and classrooms age over time, and gifts that permit unrestricted use of the capital for improvements and enhancements on campus are very important.

A growing number of people have found that combining lifetime giving with a future gift is especially rewarding. If you donate through Carleton regularly you might consider endowing your annual gift with a gift in your will. A legacy gift of $25,000 can establish a named endowment that will provide about $1,000 of income each year, forever. The documents can be approved now and you can start or add to your fund when the time is right for you and ultimately with a gift in your will.

Supporting the mission of Carleton University should give you great satisfaction. We welcome the opportunity to work with you and your advisors to develop a gift plan that will be personally meaningful to you and bring maximum benefit to Carleton. You can consult directly with us to have a custom clause prepared for you or have your lawyer call us to discuss your plans in confidence.

YOUR WILL

There are only 3 possible beneficiaries of an estate

FAMILY AND FRIENDS FIRST!

After your loved ones are taken care of, what to do next?

CHARITY (GIFTS)

ALegacy from donated assets, no tax loss.

OR...

GOVERNMENT (TAXES)

Eats up investments and savings

YOU CAN ONLY CHOOSE IF

you plan ahead in your will.

Carleton UNIVERSITY

PLAN AHEAD FOR A GIFT TO CARLETON UNIVERSITY

Arranging a Gift in Your Will

Whether you are considering a revision of your current will, or you are about to have a will drafted for the first time, arranging a gift in your will is easy to do. The accompanying guide, "Gifts by Will and Will Clauses," contains suggested wording that will assist you in discussions with your lawyer.

The easiest, least expensive way to make a small change in your existing will is to add a codicil, which retains all the provisions, except those modified by this addition. If you have a will and are considering a legacy gift, the addition of a codicil should be discussed with your lawyer.

Restricted or Unrestricted

A legacy gift for Carleton University falls into two basic categories:

- **Unrestricted** gives full discretion to the University. If you prefer to have the University decide how your gift will be allocated, an unrestricted gift allows the most flexibility.
- **Restricted** for a purpose designated by you and approved by the University. When describing a legacy gift to Carleton University, it is common to specify the purpose. You may prefer to know that your legacy will support a specific Faculty or student financial aid; perhaps give a boost to athletics or research; be endowed or expendable; or be given over to a fund you have supported over the years. Please seek guidance from a Carleton gift planner in advance of writing a restricted gift in your will.

Because the University's priorities are ever changing, we strongly recommend that you include authorization in your will enabling the University's Board of Governors to make changes in use of all restricted legacy gifts. Carleton University will only make changes in keeping as close as possible with the spirit and general intent of the gift. It is important to us to honour your intentions.

A DEFINITION: most people are uncertain about the meaning of words and terms used in estate and charitable gift planning. For the remainder of this document we use the word "bequest" as synonyms for both "gift by will" and "legacy gift". They are only used here in the context of arranging charitable gifts.

The Most Common Types of Bequests

- **Residual Bequest:** Carleton University receives a portion of the remainder of your estate after other specific legacies have been fulfilled (see Section I, item 5 below).
- **Specific Bequest:** Carleton University receives a specific dollar amount or stated fraction of your estate or a specified gift of property (collections, art, books, real estate, etc.)*
- **Tax Eliminator Bequest:** Canadian taxpayers may make a gift by will and conceivably offset most of the taxes owing. This is due to the 100% contribution limit in the final two lifetime returns and the extended donation claim period for up to five annual estate returns, for Graduated Rate Estates, to the limit of 75% of net income.

  Tying the value of the donation to the tax liability implies that no specified amount or percentage is named in the will. The donation amount can grow, or shrink, based on the underlying tax liability of the estate. This challenge can be overcome with astute planning by a lawyer who specializes in estate planning. Since the 2016 federal tax hike, tax credit rates have decoupled from top marginal rates in most provinces, leaving two or three percentage points of tax that cannot be eliminated by donation tax credits.

  Eliminating tax with a will clause is more complex than it seems. Rather than a single tax bill to eliminate, the total tax savings are claimed in a number of estate returns. Be sure to discuss your charitable intent with a qualified professional and with your executor who will ultimately be responsible for the calculations.
- **Contingent Bequest:** Carleton University would receive a stated share of your estate, but only in the event of the prior death of other named beneficiaries.
- **Trust Remainder Bequest:** named beneficiaries receive income from a trust established in the will. Upon the death of the surviving beneficiaries or at the end of a specified term, all or part of the remaining principal will pass to Carleton University. Trusts that do not permit any encroachment on capital may be eligible for a gift receipt to the estate.

Guide to Will Clauses

The following information has been prepared for the use of legal, estate and financial planners when acting for clients who wish to make legacy gifts by will to Carleton University. The suggested clauses are examples only and can be amended to suit particular applications. We can write custom clauses for your individual needs.

A word about endowed gifts

Donors who are considering endowment gifts, especially in their estate planning, should discuss their ideas first with a gift planner at Carleton University. Endowments are permanent funds with a very long term horizon and as such, the purpose for each endowment gift should also be very forward looking. We have the professional expertise in the Department of University Advancement to guide donors and their advisors in establishing terms of reference that have lasting and meaningful purposes.

Section I provides sample words for various gifts by will. Samples are provided for gifts restricted as to capital or income use and a sample wording is also provided for unrestricted bequests.

Section II provides a "power to vary purposes" clause. Carleton University recommends that this clause be inserted when a bequest is made containing a restricted use clause. This will give the University the flexibility needed to adjust the fund to changing circumstances.

Section III provides alternative ways to plan a gift. We would be pleased to discuss these with you.

Section I: Bequests

1. Capital Bequest, Unrestricted Use

"I give, devise and bequeath to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, the sum of $_____, (or % share of my estate) for the use and purposes of the University as its Board of Governors may determine".

2. Capital Bequest, Restricted Use

"I give, devise and bequeath to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, the sum of $_____, (or % share of my estate) to be used for _____ _____".

3. Income, Restricted Use

"I give, devise and bequeath to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, the sum of $_____, (or % share of my estate) to be held in an endowment fund, and kept invested, with the income from it to be used by _____ (the University or name of specific department) as it may determine for [the establishment and maintenance of student awards, scholarships, fellowships or bursaries]". This clause can be extended to include a specific discipline as follows: "... for study in _____ or related fields".

4. Named Fund, Restricted Use

A designated gift as in point 3 above endows the capital and uses only the annual earned income to fund specific awards or programs and will create a lasting memorial. The above clause can be extended even further to include: "... the endowment fund shall be known as _____"; or, "... I would like to have the name of _____ (or my name) associated with this gift"; or, "... I am making this gift in tribute to _____".

[A minimum of $25,000 is required to establish a named endowment.]

5. Residual Bequest, Unrestricted Use

"I give, devise and bequeath to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, the whole of (or % share of) the residue of my estate to be used at the discretion of the University".

6. Contingent Bequest, Unrestricted Use

"If any of the beneficiaries named in this will should die before becoming entitled to receive their distributive share of my estate, I direct my trustee to pay or transfer the share to which such beneficiary would otherwise be entitled, to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, for the use and purposes of the University as its Board of Governors may determine".

7. Reversionary

"In case any bequest or residuary gift contained in this will to any charitable organization or institution, or to any person or persons in trust for such organization or institution, cannot take effect in whole or in part because of any legal prohibition or because of the inability of any such organization or institution to take for any reason

whatsoever, I direct my estate trustee to pay or transfer the whole of the bequest or residuary gift or the portion thereof affected by such prohibition or inability to take, to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, for the use and purposes of the University as its Board of Governors may determine".

8. Bequest of Specific Property: Art, Collectables, Jewelry, Real Estate, Books, etc.

"I give, devise and bequeath to Carleton University, a Canadian charity with Registration # 11883 8937 RR0001, my _____, [specify title, artist's name, property, description]. I am making this gift in tribute to _____; or, I would like to have [the] name of [or my name] _____ _____ associated with this gift".

8.1. Permission to Dispose of Property and Use of Proceeds

"If my bequest is deemed to be not appropriate for the University [art collection, books, etc.], I authorize my executor to sell at auction or have disposed of in like manner, and the money realized from the sale given to the University for the use and purposes as its Board of Governors may determine.

Note

(i) The University reserves the right to accept or decline any gift, bequest, or other donation-in-kind for addition to any University collection. Gifts or bequests should be of a clear and unrestricted nature, and no gift-in-kind can be accepted with an attribution or circumstances of exhibition guaranteed in perpetuity.

(ii) Other gifts of property such as real estate and gifts-in-kind may be accepted provided that an appropriate use exists for the article. Real estate would quite likely be sold and the net proceeds of the sale used for purposes as specified in the will.

9. Extra Advantage of Gifting Securities in Kind

There is an extra advantage to using appreciated securities for charitable donations in your will but you have to do it the right way. Whether during life or by a gift from your estate, appreciated securities should always be donated by transferring ownership of the shares to be eligible for exemption from capital gains taxation. The donation receipt is for a gift-in-kind and generates a tax credit that can be used to offset taxes payable on other income. The extra tax credit will likely benefit all of your heirs, including the charitable heirs.

Since 2016, charities are required by law to issue tax receipts for the value of gifts as of the date they are received. If the value of a security has risen by the date of transfer, the charity will certainly benefit from a specific bequest of stocks but the residual beneficiaries (often family) could see their inheritance diminished.

Whether you make a specific or residual donation to your favourite charities it works best to have administrative clauses in your will that allow executors to exercise their discretion to distribute stock or other investments (bonds, mutual funds) by transferring ownership "in specie" which means in original form. Here's why. Canada Revenue Agency says, "if a person's will allows trustees [executors] to decide on the way property [stocks, mutual funds, etc.] is disposed of to a charity a donation receipt can be issued for the fair market value of the property and a donation tax credit may be claimed on the trust return filed by the estate".

To get this extra advantage of valuation at fair market value your trustees/executors must transfer ownership of the securities to Carleton University, they cannot sell the stocks then donate the proceeds nor can they decide how much to give.

Anyone who is planning a specified legacy gift of an investment account or a portfolio of securities or real estate should instruct their estate trustee to contact the Director of Personal and Planned Giving to discuss the gift, even in advance of probate. Carleton University, or any other charitable beneficiary for that matter, should be informed and asked by the estate trustee about what to do with the property.

Early advice from qualified tax and estate professionals and a charitable gift planner at Carleton, will help you and your executors make the best decisions about strategic charitable giving.

10. Canadians with American Assets

If you are a Canadian and own assets in the USA., the distribution of those assets from your estate may be subject to USA Gift and Estate taxation. The rules are different south of the 49th regarding the final distribution in your will regarding assets and property located in the USA. As a rule of thumb, American residents and taxpayers are permitted to donate by will, their taxable US assets (stocks, real estate etc.) to a Canadian charity, but unlike in Canada, the testator must specify those assets in the will to be used for a charitable gift, to ensure they qualify for the US Estate Tax Charitable Deduction. The Canadian estate trustee/ executor does not have the authority to make that decision on your behalf. You may

even want to consider multiple wills to deal with assets owned in foreign jurisdictions. Carleton does have an American affiliate charitable foundation to facilitate donations by our US-based alumni and friends. Gifts may be made to **Carleton University Foundation (US)**, which is a 501(c)(3) tax exempt public foundation registered in Washington, DC.

Certain gift and estate tax exemptions only apply to American "citizens", whereas those who are "permanent residents" might not qualify. People with US investments may be subject to US estate taxation and should seek specialized advice from a qualified attorney. Please call to discuss if you think this may affect you.

Section II: Power to Vary Purposes Clause

Over time, the needs of the University will change due to revisions of program offerings, developing research interests and external considerations. For that reason, we urge you to insert the following clause into your will.

"In the event that circumstances make the specified use of this gift no longer practical or desirable, the Board of Governors of Carleton University are hereby authorized to make changes in its use in keeping as close as possible with the spirit and general intent of the gift".

Section III: Other Legacy Gift Strategies

1. Carleton University Endowment Fund

Carleton University offers you the ability to participate in the endowment fund by creating your named fund ($25,000 minimum) that endows those areas or programs in which you have an enduring interest.

Benefits

- Creates a lasting memorial as endowments are established in perpetuity
- Extremely flexible... the gift plan could begin immediately, after a predetermined time or when a gift is realized from the estate

2. A Gift of Life Insurance

A charitable gift of life insurance can be a beneficial alternative because it offers you the chance to give manageable amounts over time that eventually become a significant contribution. Life insurance gifts are worth investigating as a strategic gift planning option.

Benefits

- A significant gift from disposable income at a fraction of the ultimate value;

- Tax saving can be immediately realized;
- Your donation could reduce final taxes of your estate;
- Insurance gifts pass outside the estate.

3. A Gift of Property

You may wish to transfer ownership of your property (real estate, works of art, etc.) and receive a receipt for tax purposes. In addition, residual interest gifts can be arranged in which you retain the use of the property during your lifetime and get a big tax break that you can use immediately.

Benefits

- Immediate tax savings;
- Continued use of your property for life;
- Satisfaction of knowing Carleton University will have the benefit of your gift in the future;
- Your gift passes to the University outside of the estate process.

4. Trust Arrangement

You may realize a significant benefit by transferring property to a trust that will eventually be a charitable gift. If you are considering a charitable trust arrangement, we strongly recommend that you discuss it with us first and carefully review the implications with your financial advisor and lawyer.

Benefits

- Gift is made during your lifetime and if certain conditions are met, tax savings are realized with a current charitable gift receipt;
- Property held in the trust is removed from your estate;
- Your gift is protected from challenge by other potential beneficiaries.

For more information, please call, email or write to:

Holly Greatrex Meghan Maack

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Carleton University

Anyone who is considering a charitable gift in their will should seek independent legal and financial advice. Your will is your most important financial plan, so please don't leave it to chance.

Your financial and family situation is unique to you. Our gift planning specialists are pleased to work with you and your advisors to develop a gift plan that is right for you.

The material in this document is provided as a service to alumni and friends of Carleton University but is not intended as legal or financial advice. Please consult with your professional financial, estate and gift planning advisors to determine the best course of action and plan for you and your family.