

The Princess Margaret
Cancer Foundation  UHN

GUIDANCE FOR EXECUTORS & TRUSTEES

GUIDEBOOK - NOVEMBER/2017



WE'RE HERE TO HELP YOU

We know that administering a Will can be difficult, especially if you're an executor for a close friend or relative. We can help you through the process as it pertains to us, and answer your questions.

1. START BY NOTIFYING US

- If you are administering an estate that includes a gift to The Princess Margaret Cancer Foundation, please send us a copy of the Will as soon as possible.
[\[Please contact the Estate Giving Team\]](#)
- We want to tell friends and family how grateful we are, so please include the name and address of the person to whom we can send our letter.
- It is also helpful for us to receive the last address of the donor, so we can update our records as required.

2. PLEASE STAY IN TOUCH!

As a charity, we have a legal duty to ensure that any legacy we receive is administered correctly – so we are happy to answer any questions you may have. Over the years we have talked with Executors or Trustees who have grappled with many issues, so we might have some ideas to share.

If the Estate is likely to take a long time to administer, or any obstacles or problems come up that will delay the timely distribution of the Estate's assets, please let us know. In any case, if we don't hear from you for a long time, we will get in touch to ask for an update.

3. RELEASE OF ESTATE TRUSTEE

At the end of the administration of the Estate, most Trustees ask us to formally “release” them from their responsibilities as Estate Trustee. If you would like us to sign a Release acknowledging we have received the bequest, we are happy to consider it.

Specific Gifts: It is not necessary to have the charity sign a Release for a specific gift. We will provide an income tax receipt which is used as proof that the gift was received.

Residual Gifts: In order to Release the Executor or Trustee for a gift of residue, we are required to review the administration of the Estate. To do this we will need to have the following on hand: Statement of Original Assets and Liabilities, the Capital and Revenue Transactions, and a Statement of proposed distribution including Trustee Compensation. These are described in more detail below.

If you choose to have the Estate Accounts passed in Court instead, please send us the documentation confirming this was done, so we can close our file.

SPECIAL REQUIREMENTS FOR GIFTS OF RESIDUE:

As a charity, we are very tightly regulated, and our auditors need these documents to ensure that every legacy we receive is calculated correctly and that we are not overpaid or underpaid.

1. SCHEDULE OF ASSETS AND LIABILITIES AT THE DATE OF DEATH

What: this document lists all the possessions of the deceased (for example, property, money or investments). It also lists any outstanding debts. The Schedule of Assets and Liabilities helps us understand the gift that has been left to The Princess Margaret Cancer Foundation and helps us to plan ahead. We can also use it identify ways that the executors can save the Estate money, by giving in a tax-smart way (e.g. giving securities directly).

When: As soon as it is available.

2. ESTATE ACCOUNTS

What: the Estate Accounts list all transactions that take place over the course of the administration of the estate. For a straightforward estate, this may be a simple document. For an Estate that is more complicated, it will list the Revenue transactions and Capital transactions separately. You are welcome to contact us for a sample.

When: please send us a copy as soon as possible. It is acceptable to send interim accounts with an interim distribution, and Final Accounts must be sent at the end of the administration process.

3. STATEMENT OF PROPOSED TRUSTEE COMPENSATION

What: Estate Trustees usually receive compensation for the often arduous work they undertake on behalf of the Estate. As the compensation is set based on common guidelines, rather than a set fee, the Executor should have the approval of the residual beneficiaries in order to receive their compensation.

When: Please send us your compensation request before taking it out of the Estate.

SPECIAL REQUIREMENTS FOR WILL TRUSTS/LIFE TENANCIES

- If The Princess Margaret Cancer Foundation is one of the ultimate beneficiaries of a Trust established under a Will, we need to keep up to date information in our files, so we will have to contact you from time to time. This will save you time and effort in the long run.
- If you are a Trustee please send us a copy of the Will, and a copy of the Estate Accounts. As time goes by, please send us the Trust Accounts every 3 to 5 years. Brokerage statements should be sent annually.
- If the Asset in Trust is a property, please contact us annually to let us know that it is insured and being maintained.
- Where there is a Trust Fund, please send us a copy of the Trust Accounts every year, along with a portfolio valuation. Please tell us before you make any changes to the Trust.
- For example, let us know if a Trustee is about to retire or move, or if you plan to change the investment policy of the Trust. You are welcome to contact us at any other time.

HOW THE ESTATE CAN PAY LESS TAX

There is no inheritance tax in Canada. However, the executor will need to submit a final individual (T1 income tax return for the deceased, and the Estate may have to pay income tax and/or Capital Gains tax on appreciated assets.

It is important for the Estate to claim the income tax credits that result from charitable gifts made under the Will, as the resulting tax refund will result in a larger distribution for the heirs. Here are two simple ways in which a charitable gift in a Will can offset the taxes owing:

A few years ago the Federal government introduced changes to the tax treatment of trusts, including estates. Starting with deaths after January 1, 2016, **an Estate must declare itself a Graduated Rate Estate (GRE)** to benefit from income tax relief both in the form of graduated rates (similar to individual taxation) and from charitable gifts.

1. REDUCING INCOME TAX WITH THE CHARITABLE TAX CREDIT

When an Estate makes a gift to a charity, the charity issues an income tax receipt in the name of the Estate.

The donation credit is available to a GRE (see above) to offset taxes over a 60 month period as follows:

If the gift is made during the first 36 months, it can be claimed in:

- the date of death return (last lifetime return)
- the immediately prior year (second last lifetime return)
- the GRE for the year of the donation
- any prior year GRE returns

If the gift is made after the Estate ceases to be a GRE (i.e. the 24 month period after the GRE has ceased to be), the gift can still be claimed in:

- the date of death return (last lifetime return)
- the immediately prior year (second last lifetime return)
- the estate year in which the gift is received

Tip: Registered Funds (an RSP or a RIF) are considered income on the final day of an individual's life, so their income (and the corresponding income tax!) is often the highest ever. The tax relief of a charitable gift is particularly welcome when you consider the taxes that need to be paid.

REDUCING INCOME TAX WITH THE CHARITABLE TAX CREDIT

Amount of bequest:	\$350,000
Net income in year of death:	\$300,000
Amount claimed on final return:	\$300,000
Tax credit/savings on final return:	\$135,000*
Amount claimed on prior return	\$ 50,000
Tax refund on prior return**	\$ 22,500
Total savings/refund to the Estate:	\$157,500

*varies by province

**assumes taxes of more than \$22,500 had been paid in that year, and that the Estate has declared itself a GRE.

2. REDUCING CAPITAL GAINS TAX

When someone dies, their stocks are considered to have been sold at fair market value immediately prior to death. There will be tax on the capital gain.

However, capital gains are eliminated when appreciated listed securities are given to a charity. Therefore you may want to consider having the Estate give shares directly to The Princess Margaret Cancer Foundation.

This will satisfy the bequest, eliminate capital gains tax, and generate a tax receipt that can be used as noted above. [Contact us](#) for more information, or [\[click here\]](#) to know more about Securities.

Tip: An income tax receipt will also be issued to the Estate for the gift of securities. For gifts received from an individual who died after January 1, 2016, the value will be calculated as of the date the gift is made. (Previously the value was as of the date of death.)

CONTACT OUR TEAM

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You will also find valuable guidance at
the Canada Revenue Agency's website:

www.cra-arc.gc.ca/E/pub/tg/rc4111/

