The Emergence of
Blended Charitable Gifts

November 2020

A "Blended Charitable Gifts Strategy" refers to the practice of gifting something now, something later (a gift in a Will) and something in between. This strategy gives donors the greatest opportunity to maximize their charitable giving, while taking into consideration their long-term financial needs. There are also significant tax advantages to giving during one's lifetime, and additional tax advantages when a gift is made from an estate.

Benefits of the strategy

While there are a number of benefits to a Blended Charitable Gifts Strategy for individuals, they also benefit charities; helping them to better plan for future services and demands.

The following provides some examples of current and future gifts and their long-term benefits:

Current Gifts	Future Gifts	Long-term Benefits
Cash Securities Real estate	Gift in Will RRSP Life insurance RRIF TFSA Charitable Remainder Trusts Securities	Tax advantages Financial planning Benefitting charity and family Creating a legacy

Basic blended gift

The most common example of a Blended Charitable Gift involves an initial lower dollar value gift; followed by a relatively larger testamentary gift. The benefits of this include:

- The donor receives a tax benefit while they are alive; and
- At the time of death, the estate receives a tax receipt that can be used to reduce income taxes payable at death.

A better alternative

Another approach is to create a Blended Charitable Gift using a Donor Advised Fund, where a lifetime gift is made to the fund while the donor is alive and also at the time of death.

For example:

- Mark and Susan, both 60 years old, have been asked to make a pledge to their local hospital to support much needed research. They decide to use a Donor Advised Fund to facilitate this giving:
  - They create a Donor Advised Fund with a $100,000 investment.
  - Each year, they can make an annual grant from their Fund to their local hospital to support the necessary research projects.
- Mark and Susan also want to ensure that the hospital will receive ongoing financial support after their death. To achieve this, they implement the following:
  - They update their Wills to include a $1 million bequest from their estate to their Donor Advised Fund.
  - While Mark and Susan are alive, the hospital will continue to receive an annual grant from their Donor Advised Fund.
  - Upon their death, the size of the annual grant will significantly increase, due to the fact that the Donor Advised Fund will receive the $1 million bequest.
- Mark and Susan appoint their two children as the successors to their Donor Advised Fund, providing another benefit to their charitable giving strategy:
  - This appointment ensures that the Blended Charitable Gift will continue to exist after their death, and the local hospital will benefit from the annual income it generates to fund the research based projects.

The concept of Blended Charitable Gifts is promising for charities as they work to meet the increasing demands for their services; both in the near term and the future.

Seek professional advice

This article is not a substitute for professional tax advice. Please consult with your tax advisor to confirm the suitability of the Blended Charitable Gift Strategy for your personal situation.

For more information, speak with your BMO financial professional.

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ID4323 (11/20)