

CHARITY CHECKLIST

Working with Charities When Planning a Bequest

When planning your estate, should you contact charitable beneficiaries to inform them of a bequest? Traditionally, the answer to this question has been “no”. But practice is changing. Charitable bequests are becoming more common, donors more knowledgeable, and charities more sophisticated.

If you are making a charitable bequest you should, at the very least, contact charitable beneficiaries anonymously to ensure your lawyer has the correct legal name. Registered charities sometimes have an operating name that is different than their legal name. An incorrect name or designation could cause your gift to fail, which creates legal costs for your estate and trouble for your executor and other beneficiaries. The Canadian Donor’s Guide is the perfect first step in this process. The basic search feature at CharityCan — www.charitycan.ca — contains all Canadian registered charities. Canada Revenue Agency also lists all registered charities online at www.cra-arc.gc.ca/tax/charities.

There is, however, more to making a bequest than spelling the name of the charity correctly. A bequest is probably the largest gift of your life so don’t be shy about asking a few critical questions of your intended charitable beneficiaries. If the contemplated bequest is significant in value or central to your estate plan, arrange a meeting with the charity to ask questions in person. The following due diligence checklist will help you make your legacy gift more effective, prudent, and personally meaningful.

The Charitable Bequest Checklist

1) Use of bequests: What is the charity’s policy on the use of undesignated bequests and planned gifts? Are they spent immediately or are they invested? Are they used to pay a deficit, support fundraising, or pay for the direct programs and services of the charity?

2) Accountability: Are the charity’s annual report and audited statement available to the public? Will the charity send the annual report to the donor after the gift is confirmed? What percentage of annual revenue is devoted to charitable activities?

3) Gift designation: Does the charity enable donors to designate to a particular area or activity? What are purposes that are expected to be future priorities?

4) Personal endowment funds: Does the charity have an endowment that is invested to provide an annual payout for its charitable activities? Are donors able to name endowment funds with their bequest? If so, is there a minimum contribution level to establish the fund? Does the charity provide donors with financial and activity reports on individual endowment funds?

5) Privacy Policy: Does the charity have a privacy policy? Can a donor remain anonymous? If the donor is anonymous, who at the charity will know about your bequest intentions? Can the donor specify no solicitations or unwanted contact? Does the charity trade or sell names to other charities or organizations?

6) Donor recognition: Are donors of bequests and planned gifts recognized after the gifts are received? Does the charity have an optional program to recognize and involve future gift donors during life?



Malcolm D. Burrows
Scotia Private Client Group

7) Other Types of Planned Gifts: Does the charity help donors explore tax-advantageous alternatives to bequests, such as charitable gift annuities, life insurance, and gifts of RRSP/RRIFs?

8) Staff Gift Planner: Does the charity have a staff Gift Planner or Planned Giving Officer? Does he or she have any professional designations? Has the planner adopted the Canadian Association of Gift Planners’ Standards of Ethical and Professional Conduct?

9) Charity Leadership: How long has the CEO of the charity been in his/her role? What is the average tenure of staff and directors?

10) Charitable Effectiveness: Can the charity provide a concise summary of its charitable mission? Can it provide three examples of recent initiatives that have made a difference?

While the issues on this checklist will vary in importance to each person, the key consideration is how the charity deals with an inquisitive donor or advisor. Most charities appreciate passionate donors, so please, go ahead and ask tough questions. Ultimately, trust is the most important factor when making a gift of a portion of your life savings. Trust should be earned, not assumed.

Malcolm D. Burrows, CFRE
Head
Philanthropic Advisory Services
Scotia Private Client Group

Malcolm Burrows is a charitable gift planner with 20 years experience, including over 15 working for major charities.