

Class 14

Public (Charitable) Trusts

• Elements:

- All the same elements as a private trust; PLUS
 - Charitable purpose;
 - Definite Class to be benefited;
 - Does not specify a beneficiary (if it does, it's not a public trust)
- Can be for a single beneficiary ultimately as long as the beneficiary is not specified from the outset

Charitable Purposes

- Relief of poverty and alleviation of suffering
 - Does not have to be narrowly tailored to reach just "poor" people...

Education

• This can include lobbying or "educating" people as to how a law should be changed (i.e. it can espouse a political viewpoint), but it cannot support the commission of illegal or immoral actions

Charitable Purposes (cont.)

• Religion

• This can be any religion, but a court may invalidate it if it considers the "religion" to be inconsequential or if the religion is premised on a basis that is illegal or immoral

• Health

• "Mixed purpose" trusts do not qualify unless the charitable beneficiaries are clearly distinguishable from the non-charitable beneficiaries

Rules Regarding Charitable Trusts

• Advantages:

- Charitable trusts get **tax exempt** status
- Exempt from the Rule Against Perpetuities for gifts to charities (charitable trusts can last indefinitely)

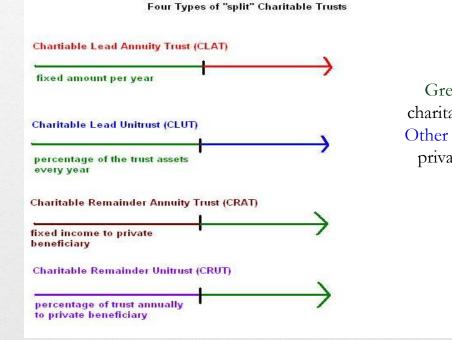
• Cy Pres Rule:

• If the trust's purposes or beneficiaries no longer exist or are irrelevant, and the settler had "general" charitable intent (not just for that specific purpose or group), then a court can substitute a "similar" purpose or group of beneficiaries and apply the trust money toward that purpose.

Quiz Time!

Wills, Trusts, and Estates - PLG-106

Four Types of Charitable Trusts



Green line = charitable interest Other color line = private interest

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