Charitable Remainder Trust (CRT)

A Charitable Remainder Trust (CRT) is a type of irrevocable trust designed to generate an income stream for the donor or other beneficiaries, reduce potential tax with a charitable deduction and defer income tax resulting from the sale of assets transferred to the CRT

DESCRIPTION OF STRATEGY

The grantor transfers assets into the CRT. During the term (a fixed term up to 20 years or one or more lifetimes) of the trust, the CRT makes payments to the grantor or other beneficiaries. These payments can be a fixed annual amount (Charitable Remainder Annuity Trust, or CRAT) or a fixed percentage of the trust's assets, recalculated annually (Charitable Remainder Unitrust, or CRUT). These payment amounts cannot be less than 5% of the amount transferred to the CRT. If someone other than the grantor or the grantor's spouse is entitled to receive the annuity or unitrust payment, the present value of the annuity or unitrust interest is a gift by the grantor. At the end of the term, any remaining assets pass to a chosen charity or charities. The grantor receives an income tax deduction when the trust is funded, based on the present value of the remainder interest that is expected to pass to charity. This calculated remainder interest cannot be less than 10% of the value of the assets transferred to the CRT.

KEY BENEFITS

Income Tax Deferral

Appreciated assets transferred to a CRT can be sold without incurring immediate capital gains taxes. Those capital gains are realized as annuity or unitrust payments are made to the grantor or other beneficiary.

CRT is Tax Exempt

A CRT is tax exempt and doesn't pay any income taxes. Any income generated from the assets of a CRT are deemed to be distributed out to grantor or other beneficiary as part of the annuity or unitrust payments. Generally, ordinary income is deemed to be paid out first, then capital gain income, then tax-free income.

Income Stream

A CRT provides a stream of payments (annuity or unitrust) to the grantor or other beneficiaries for a specified period of years or a lifetime.

Charitable Giving

A CRT allows for a meaningful contribution to a chosen charity at the end of the CRT term, depending on the actual performance of the assets in the CRT.

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KEY BENEFITS (CONTINUED)

Additional Tax Advantages	The grantor receives a tax deduction when the CRT is funded based on the amount expected to pass to charity at the end of the CRT term, and the assets in the trust are removed from the grantor's estate (to the extent they are not paid back through distributions), reducing potential estate taxes.

RISKS/DRAWBACKS

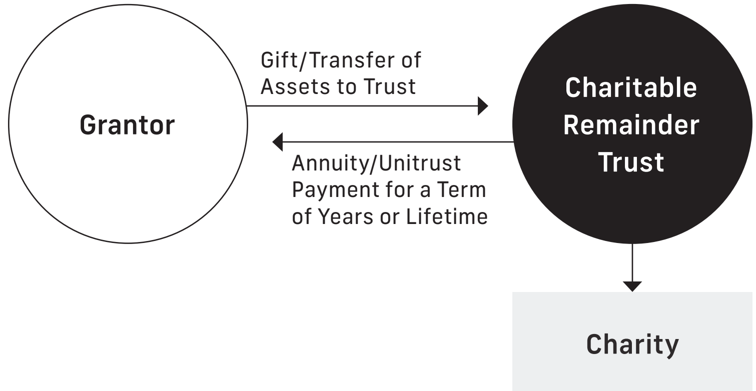
Irrevocability	Once assets are transferred to a CRT, the decision is generally irreversible.
Loss of Assets	At the end of the trust term, the remaining assets go to the charitable beneficiary, not the grantor's heirs.
No Additional Access to Assets	The beneficiaries of the CRT do not have access to the trust assets beyond the annuity or unitrust amounts. No opportunity for additional distributions.
No Transactions with Trust	The grantor (or his or her family members) may not transact with the CRT, including borrowing assets, selling assets to the CRT or purchasing assets from the CRT, etc.

OPPORTUNITIES TO UTILIZE

Appreciated Assets	CRTs can be particularly useful for individuals holding significantly appreciated assets that would incur a high capital gains tax if sold.
High Interest Rate Environment	A high interest rate environment is generally favorable, as the CRT payout to the grantor or other beneficiaries is greater with a higher interest rate.
Retirement Planning	CRTs can provide a stream of income for retirement while also offering significant tax deferral benefits.
Charitable Goals	For individuals with philanthropic inclinations, a CRT allows for a potentially meaningful future gift to a chosen charity.

How it Works

- With a 5% 7520 rate, a $1M gift to a CRAT with a 20-year term would pay an annuity of $67,400.
- If the CRAT assets grow at 6%, the charity will receive a gift of 727,730 in 20 years.



GIFT CALCULATION

Amount Gifted	$1,000,000
Less: Annuity/Unitrust Retained	$839,972
Value of Charitable Deduction	**$160,028**

Example above is for illustrative purposes only. It does not reflect any actual situation. Growth rate is illustrative and does not reflect performance of any investments. Information is subject to change without notice.