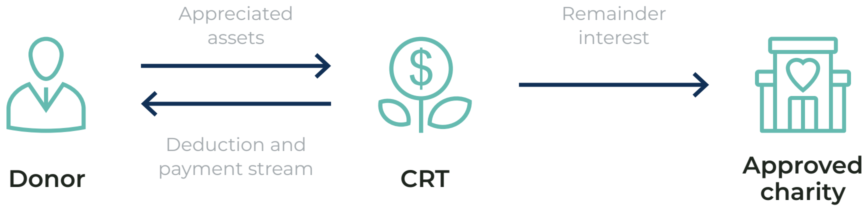
Charitable remainder trust

A charitable remainder trust (CRT) is an irrevocable tax-exempt trust consisting of an income interest paid throughout the trust term and a remainder interest distributed at the end of the trust term. The income interest is typically paid to an individual (the trust's donor) for either a fixed period (up to 20 years) or for the individual's lifetime. At the expiration of the trust term, the remainder interest is distributed to a qualified charitable organization of the donor's choice as specified in the trust document. Qualified organizations include public charities, private foundations, and donor advised funds.



Who it's for

A CRT is a powerful tool that can address many personal financial goals while facilitating a significant gift to a charity of choice. It is beneficial for a donor who wants to avoid immediate capital gains taxation on the sale of appreciated assets, receive annual income payments, achieve tax-free growth of investments within the trust, receive an income tax charitable deduction, and make a gift to charity when the trust terminates.

Benefits

Tax-free asset conversion

Because a CRT is tax exempt, assets that are contributed to the trust, and later liquidated, are not taxed to the trust. Instead, the full value of the liquidated proceeds from the CRT's sale of appreciated assets remain invested in the trust. By contributing appreciated assets to a CRT, donors avoid the immediate recognition of capital gains tax that would result if they sold the assets outside of the CRT.

Current income tax deduction

A gift to a CRT can provide donors with a current income tax charitable deduction that can offset all forms of income

Increased cash flow

Donors who own a highly appreciated asset that generates little or no income may be reluctant to sell due to the resulting capital gains tax liability. CRTs enable donors to sell assets free from the immediate realization of capital gains, thereby enhancing tax-free investment return and future cash flow to the beneficiaries.

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Lifetime cash flow planning

With careful design and investment management, a CRT can defer income for later distribution. This enables possible accumulation of income for retirement planning or for intermittent financial needs that may occur along the way. Income deferral can also enhance the value of the ultimate charitable gift.

Retirement planning and asset management

Among other things, retirement means reduction of management responsibilities, not only in the workplace, but also with personal assets. A CRT provides a way to dispose of management intensive assets. It also offers a way to provide professional asset management during a person's later years when it may be most needed or desired.

Gift and estate tax planning

A CRT offers donors an effective alternative to the payment of gift and estate taxes. Assets transferred to a CRT are not generally subject to gift or estate taxes. The combination of capital gains tax, gift tax, and estate tax avoidance can be very compelling for those who wish to control their social capital.

NOTE: In addition to the gift and estate tax savings generated by the trust itself, the cash flow created by a CRT can be coordinated with other estate planning techniques. The most common combination involves gifts of cash from a donor to an irrevocable trust or directly to family members who then use them to purchase life insurance. Commonly referred to as wealth replacement, the concept often enables a donor to provide a significant legacy to charity without disinheriting your heirs.