

Charitable Remainder Trusts

Turning Point™
with Dr. David Jeremiah

But do not forget to do good and to share, for with such sacrifices God is well pleased. (Hebrews 13:16)

Income for Life. Impact Forever.

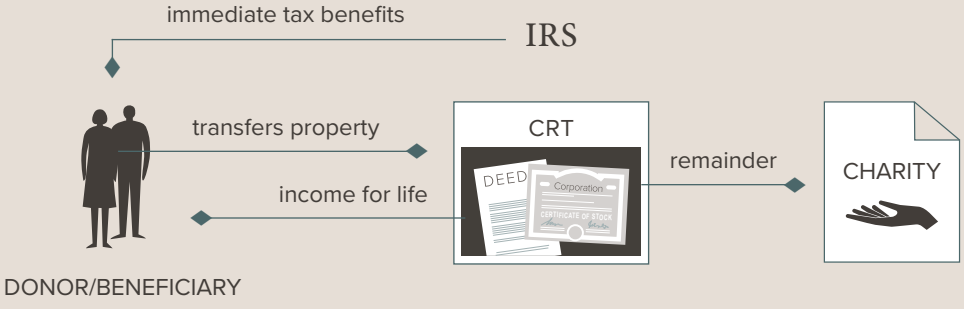
For decades, individuals and families have turned to Charitable Remainder Trusts (CRTs) as a way to support the causes they love while also taking care of themselves and their loved ones. These flexible Trusts can:

- Reduce income taxes
- Convert appreciated assets (like stock or real estate) into a lifetime income while bypassing the capital gains tax
- Make a lasting charitable gift—either now or through a gift in your Will

How Does a Charitable Remainder Trust Work?

You transfer money or property to a Trust. This removes the property from your estate and allows you to enjoy an immediate income tax deduction if you itemize (subject to limitations). Note that only the portion of your total annual charitable contributions over 0.5% of your adjusted gross income qualifies for a charitable deduction. The trustee pays you a lifetime income (the trustee sells any appreciated property free of capital gains tax to make the payments). At the end of the trust term, the remaining assets (the "remainder") are transferred to us or other named charities.

STEPS IN A CHARITABLE REMAINDER TRUST



1. An individual transfers property to a CRT, paying no immediate capital gains tax and qualifying for immediate income tax benefits (subject to limitations).
2. The trustee invests the property and the Trust pays an annual income to the beneficiaries for life (or for a set number of years).
3. When the payments end, the Trust distributes the remaining assets to the selected charities.

You name the Trust beneficiaries—yourself, your spouse, or anyone you choose. The trustee makes annual income payments for as long as the designated beneficiaries live, or for a specific term of years up to 20. These income payments are based on the value of the Trust assets (either at the time the Trust is created or varying from year to year). When the Trust term ends, the trustee pays out the remaining assets to the designated charities.

A CRT IN ACTION*

Genevieve transfers highly appreciated assets worth $400,000 to a CRT, specifying that $20,000 will be paid to her each year for as long as she lives. When Genevieve dies, the remaining property will be distributed to us. By using a CRT, Genevieve not only secures a lifetime income—her gift qualifies for an immediate and substantial income tax deduction if she itemizes (subject to limitations) and bypasses any capital gains tax that would have been due if she had sold the assets.

BENEFIT #1

Secure a Lifetime Income

The primary benefit of a CRT is to provide income to Trust beneficiaries for life (or for a set period up to 20 years). The income can be a fixed amount or a fixed percentage of the value of the Trust as calculated yearly. This second option provides an income that rises or falls with the value of the Trust assets, with the hope being, of course, that payments will rise and serve as a hedge against inflation.

You can choose a payout amount that accomplishes your targeted objectives—within limits. The payout rate must be at least 5% (not to exceed 50%) of the Trust value, and the present value of the charitable remainder amount must be at least 10% of the fair market value of the initial Trust assets.

BENEFIT #2

Qualify for an Immediate Income Tax Deduction

An obvious tax benefit of a CRT is an immediate federal income tax deduction for the present value of the deferred charitable interest, subject to federal tax law limits. Computing the charitable deduction depends in part on the Applicable Federal Rate (AFR). You can choose to use the rate in the month of the gift or in either of the two preceding months. Generally, the higher the AFR, the larger the charitable deduction. It would be our pleasure to provide you with the estimated deduction for a proposed gift.

* All examples are for illustrative purposes only.

BENEFIT #3

Spread Out Capital Gains Tax

Converting a non-producing asset into an income-producing property *without* incurring immediate capital gains tax is a distinct benefit. If you fund a CRT with appreciated property, you do not owe any capital gains tax when you transfer the property to the Trust. The trustee can sell the appreciated property and reinvest the full amount of the proceeds, producing a high income inside the Trust. You pay the capital gains tax on the sale of the asset only as the money is distributed.

CONVERTING AN ASSET INTO INCOME

Peter, age 75, owns a low-dividend-paying stock worth $300,000. It has appreciated dramatically since he bought it years ago for $50,000. Peter could sell the stock outright and invest the proceeds, but he would incur a capital gains tax of $37,500 (15% rate). If he invests the after-tax sales proceeds of $262,500 in CDs earning 4%, he would realize an income of $10,500 that year.

However, Peter could instead transfer the stock to a CRT that will pay him $15,000 (5%) a year for 20 years. He would not pay capital gains tax on the appreciation at the time of transfer—it would be due instead on a portion of each annual payment, spread out over time. Peter would also receive an income tax charitable deduction of $106,560 if he itemizes (subject to limitations).*

* Example assumes an AFR of 4.6% and an annual payout.

A Final Note

There are many reasons to consider a CRT—to create an income stream during retirement, dispose of highly appreciated assets in a tax-efficient manner, or create a family giving tradition. Ask us how you can tailor a CRT to meet your personal or family needs.

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