

MISSION FORWARD

CHARITABLE REMAINDER TRUST

What is a charitable remainder trust (CRT)?

A CRT allows you to convert a highly appreciated asset — like stock, real estate or cash — into lifetime income. It reduces your income taxes now and estate taxes when you die. You pay no capital gains tax when the asset is sold. It allows you to help your church or other charity(ies) that have special meaning to you.

How does a CRT work? What are my income choices?

You transfer an appreciated asset or cash into an irrevocable trust. This removes the asset from your estate, so no estate taxes will be due when you die. You also receive an immediate charitable income tax deduction. The trustee then sells the asset at full market value, paying no capital gains tax, and re-invests the proceeds in income-producing assets. For the rest of your life, the trust pays you a unitrust amount. When you die, the remaining trust assets go to the charity(ies) you have chosen. That's why it's called a charitable remainder trust.

You can receive a fixed percentage of the trust asset's market value. With this option, the amount of your annual income will fluctuate, depending on investment performance and the annual market value of the trust. The trust will be re-valued at the beginning of each year to determine the dollar amount of income you will receive. If the trust is well managed, it can grow quickly because the trust assets grow tax-free. The amount of your income will increase as the value of the trust grows.

Can I receive a fixed income instead?

Yes. You can elect instead to receive a fixed income, in which case the trust would be called a charitable remainder annuity trust. This means that, regardless of the trust's performance, your income will not change. This option is usually a good choice at older ages. It doesn't provide protection against inflation like the unitrust does, but some people like the security of being able to count on a definite amount of income each year.

