

Charitable Remainder Trust



A Charitable Remainder Trust (CRT) is a tax-exempt trust that can liquidate an asset to create two interests: Income Interest, and Remainder Interest. The income interest is paid out to a designated beneficiary (such as the creator of the trust) for a lifetime or at the conclusion of the term, and the remainder interest is passed on to a qualified organization of the donor's choice as specified in the trust document. Qualified organizations include charities, family foundations, donor advised funds, and others.



Who does it work for?

Charitable Remainder Trusts are a powerful tool that can address many personal financial goals while facilitating a significant gift to a charity of choice. Anyone who is subject to paying capital gains taxes on appreciated assets, whose estate is subject to estate taxes, would like to benefit charity, and has a need for income is a candidate to benefit greatly from a CRT.



Benefits of a CRT

Tax-Free Asset Conversion

Through a Charitable Remainder Trust, appreciated assets may be sold free from the erosion of capital gains tax. Asset conversion is the most visible financial advantage of using a CRT.

Current Income Tax Deduction

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

Increased Cash Flow

You may own a highly appreciated asset that generates little or no income, but are reluctant to sell it because the capital gains tax could consume more than one-fifth of its value and one-fifth of the resulting income. The ability to sell the asset free from capital gain taxes enables a Charitable Remainder Trust to generate more income for recipients.

Lifetime Cash Flow Planning

With careful design and investment management, the CRT can defer income for later distribution. This feature 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 denotes reduction of management responsibilities, not only in the work place, but also with personal assets. The CRT provides the means to dispose of management intensive assets. It also supplies a mechanism to provide professional asset management during a person's later years when it may be most needed or desired.

Gift and Estate Tax Planning

The Charitable Remainder Trust offers you an effective alternative to the payment of gift and estate taxes. Amounts 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 the CRT can be coordinated with other estate planning techniques. The most common combination involves gifts of cash from you 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 you to provide a significant legacy to charity without disinheriting your heirs.

