

Gift Annuities and Charitable Remainder Trusts

The Charitable Remainder Trust (CRT) provides both a gift and an income. Many donors have found that a CRT is a great way to achieve their charitable goals while retaining an income for themselves and security for their families. Through a CRT you can convert appreciated, low-yielding securities or property into a sizeable income stream and at the same time avoid potential capital gains taxation on appreciated property.

A charitable remainder trust **provides an income** for one or more named individual beneficiaries for a term of years or for life. The assets remaining when the trust ends will be disbursed to one or more charities. The grantor **receives a tax deduction** for the present value of the remainder interest to go to charity.

Many supporters name themselves as the beneficiary of the CRT and receive a regular income for the duration of the trust.

There are two types of CRT's. The primary difference between the two is in determining the pay-out to the non-charitable beneficiaries.

- ✚ **The Charitable Remainder Annuity Trust** produces an annual **fixed income** at a rate determined by the donor at the time the gift is made. Some people choose this type because they prefer a **fixed income**. Any change in the financial markets will not affect the annual payout. Funds cannot be added to an annuity trust, but additional trusts can be established.
- ✚ **The Charitable Remainder Unitrust** produces an annual income that is a **percentage of the trust assets** as valued every year. Some choose this type because their annual payout can be a hedge against inflation if the value of the trust assets equals or exceeds the rate of inflation. Funds may be added to a unitrust by subsequent gifts.

A Charitable Remainder Trust is **an irrevocable trust**; however, a donor may change the charitable beneficiaries that will receive the trust remainder when the trust ends.

Charitable Gift Annuities are similar to Charitable Trusts, but are **simpler**. The charitable gift annuity is a **simple contractual arrangement** between the donor and the Foundation (unlike a charitable remainder trust, which is a legal trust). **The charitable gift annuity pays a guaranteed fixed sum each year for the life of one or more beneficiaries.** The age of the beneficiaries, the value of the asset used to purchase the annuity and the prevailing investment opportunities at the time of the gift affect the amount that can be paid. The gift annuity generates an income tax deduction.