

Charitable Remainder Trusts

The Charitable Remainder Trust is one of the best-kept secrets in the area of estate planning. This irrevocable trust is a valuable tool to protect an estate or business from taxes. It is an instrument that is especially ideal for handling *highly appreciated property, such as stock, real estate or a family-owned business*, and can help with decreasing taxable income as well.

The primary purpose of this trust is to benefit charity. The second is to reduce or eliminate estate and generation skipping taxes. It also eliminates capital gains on highly appreciated assets, i.e. real estate, stocks.

A CRT provides a specified distribution each year to one or more beneficiaries, typically the donors. The distribution must be paid at least annually for life or for a period of years, with an irrevocable remainder interest to be held for the benefit of, or paid over to, one or more qualified charities.

Once you have set up and donated to a charitable trust, you have the option to take an income tax deduction for up to 5 years plus the year of the donation in the amount of your charitable donation, up to 30% of your adjusted gross income.

Because the amount you gave to the trust will go to the charity outright upon your passing, that amount will not be included in your estate valuation for the purposes of determining your estate taxes.

You may also be able to turn an investment that isn't currently producing income into cash without paying taxes on the gained profits.

Advantages of a Charitable Remainder Trust

- ◆ Federal estate tax savings
- ◆ Generation-skipping tax savings
- ◆ Capital gains tax savings
- ◆ Trustor retains control of assets
- ◆ May provide a larger annual income
- ◆ Income is based on the investments
- ◆ Avoids capital gains erosion
- ◆ The tax code allows a current year, and additional 5 year carry-forward deduction which can be applied against taxable income

DISCLAIMER

These materials are for informational purposes only and not for the purpose of providing legal advice. Please contact a licensed attorney to obtain advice with respect to any particular issue or problem.