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PRIVATE CLIENT ADVISORS

CHARITABLE & INCOME TAX PLANNING

CHARITABLE REMAINDER TRUSTS (CRATs, CRUTs, NIMCRUTs)

The tax code allows individuals to give assets to a trust in return for a lifetime income annuity. If a charity is named as a remainder beneficiary, meaning the assets pass to the charity at the client's passing, the trust can sell the assets in the trust tax-free, and the client receives an up-front income tax deduction for the gift**. Clients who are considering selling assets with large capital gains will often consider using a Charitable Remainder Trust to eliminate income taxes, receive a tax deduction, create a lifetime income, and ultimately achieve their philanthropic mission.**

HOW IT WORKS:

Client contributes assets to a Charitable Remainder Trust and names themselves as the income beneficiary and either a public or private charity as the remainder beneficiary.*

Client receives an up-front income tax deduction for the present value of the gift, calculated as the difference between the value of the assets gifted to the trust and the present value of the annuity income.

Trust sells the assets and pays no taxes, due to charitable status.

At the end of the annuity payment term, typically the death of the Client, the assets remaining in the trust pass to the charity named as beneficiary.

WHO IT HELPS:

- ***Clients who have assets with built-in gain that they would like to sell.***
- ***Clients who can utilize a large current-year income tax deduction.***
- ***Clients who would like to minimize the***
- ***amount of income taxes they pay at sale.***
- ***Clients who donate to charity and have philanthropic goals.***
- ******Clients who like the income tax and charitable aspects of the CRT planning, but also want to pass assets to their family, can use part of the annuity income to fund a life insurance policy to replace the value of assets passing to charity at their death******

-SEE CASE STUDY ON NEXT PAGE-

****Income tax deductions change depending on type of assets contributed (cash, ordinary income assets, or capital gains assets) to trust and depending on the status of the charity (public or private).***

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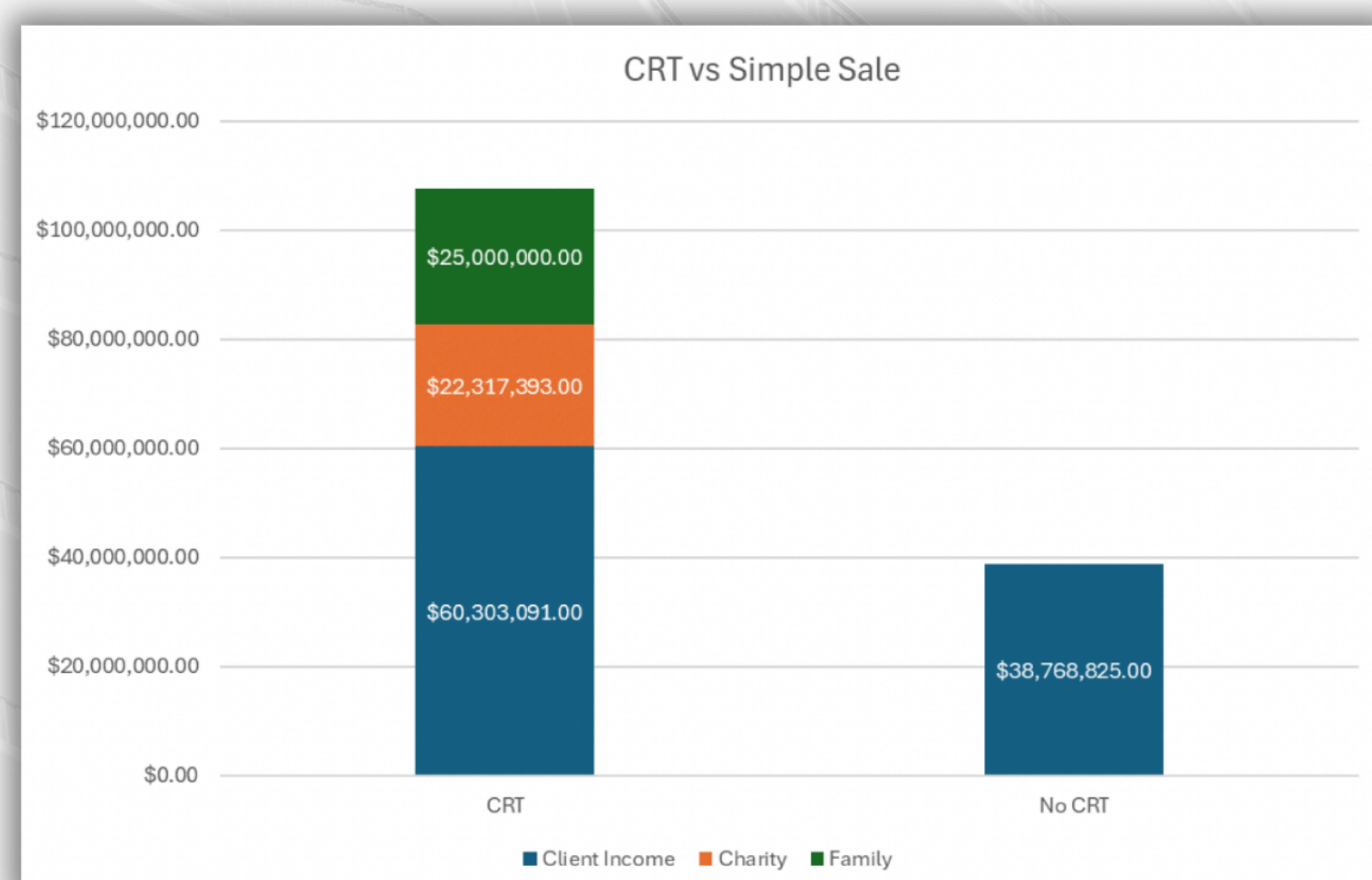
CASE STUDY: CHARITABLE & INCOME TAX PLANNING

BUSINESS OWNER LOOKING TO SELL

Trudy is 60 years old and owns an HR and Payroll company and has recently received an offer to sell for $25,000,000. Trudy consults with her estate planning attorney and financial advisor and decides to gift her business interests into a Charitable Remainder Trust (CRT) with a public charity named as the remainder beneficiary. The CRT pays Trudy an annual income annuity starting at $1.25M, which grows as trust assets grow. Trudy receives an up-front income tax deduction of just over $2,500,000, calculated as the value of the gift to trust minus the present value of her annuity income over her lifetime. The income tax deduction can be carried forward for up to 5 years to reduce taxes on annuity income Trudy receives from the CRT. Trudy also decides to fund a life insurance policy on herself equal to $25,000,000 as wealth replacement to her family at death.



**Calculations performed using charitable remainder trust calculator from Valur.*
**Annual insurance premium of $290k to fund $25M policy.*

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