

# Charitable Remainder Trust



## Description

An irrevocable Charitable Remainder Trust generates a potential income stream for you or your beneficiaries, with the remainder of the donated assets eventually going to Camp Fire First Texas.

## Key characteristics

- Potential immediate (partial) tax deduction, based on the value of the eventual gift to Camp Fire
- May eliminate capital gains tax for gifts of long-term appreciated securities
- Accepts many types of assets
- Income may be for life or for a fixed term of no more than 20 years
- Requires setup and ongoing maintenance cost

## Details

A Charitable Remainder Trust (CRT) is an irrevocable trust typically funded with highly appreciated property. The CRT is structured so that there is a current beneficiary who is either the donor or a named individual and a remainder beneficiary, which is a qualified charity, such as a private foundation. The CRT can provide that the named beneficiary receive either a fixed amount each year or a percentage of the value of the trust each year, for a period of years that can be for the individual's life or for a period not to exceed 20 years.

First, a major benefits of the CRT is an immediate potential income and gift tax deduction for a charitable contribution for the present value of the ending balance of the trust's assets designated for the charity. If the remainder beneficiary of a CRT is a private foundation, there are certain limitations to the amount of the deduction that can be taken, which are dependent on the nature of the property contributed.

Second, a CRT is exempt from tax on its investment income. Thus, a trustee of the CRT can sell the appreciated assets and reinvest the full proceeds. The donor is able to diversify from a concentrated position in a tax-efficient manner. When distributions are made to the donor or beneficiary pursuant to the terms of the trust, the donor or beneficiary must report a portion of the income and gains in respect to the property distributed. However, as the tax burden is spread out over time, more money is available for reinvestment within the CRT, benefiting both the lifetime beneficiary and charitable remainder beneficiary.

Third, a contribution to a CRT made at death under a will can produce an estate tax deduction, not subject to any percentage limitations, with the value of the remainder interest passing to the private foundation.

Lastly, a CRT can be an effective strategy for planning for retirement as the trust can provide that income distributions do not commence immediately. For example, the trustee can sell the appreciated assets, reinvest the proceeds, defer payment of tax and delay distribution (and income recognition) to the donor until he or she reaches age 65 and is in a lower tax bracket.

*\* The Council reserves the right to refuse any proposed gift. Unless otherwise approved by Camp Fire First Texas, gifts may not be directly or indirectly subjected by a donor to any material restriction or condition that would prevent the Council from freely and effectively employing the transferred asset, or the income derived therefrom, in furtherance of its exempt purposes.*

