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Estate planning
Charitable remainder trust

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Support charitable interests and create an income stream

A charitable remainder trust (CRT) is a flexible tool that can help you donate to a favorite charity and yield a potential tax deduction, while generating an income stream for your retirement. CRTs can assist with your philanthropic planning, plus your tax and estate planning.

Contribute. Create an income stream. Become eligible for a deduction.

A CRT is commonly funded with cash or appreciated securities, but other assets such as real estate and closely held stock can work, too. Once funded, the donor is eligible for a tax deduction.

The income stream can go to the donor or recipient(s) of your choice for a term of no longer than 20 years. When the CRT term ends, the remainder in the trust goes to one or more named charitable beneficiaries.

There are two types of CRTs

1. **Charitable Remainder Annuity Trust (CRAT) –** Pays a fixed amount each year and doesn't allow for additional contributions.
2. **Charitable Remainder Unitrust (CRUT) –** Pays a fixed percentage of total trust assets each year and allows for additional contributions.

A deeper dive into CRTs

Income tax deduction

- The deduction is dependent on the asset contributed, the type of CRT, the term of the CRT, the anticipated income payments, and the IRS discount rate (also known as the Applicable Federal Rate).

Income stream

- The IRS requires a payout of at least 5% – the maximum is 50% of the total trust assets. Most CRTs have a payout rate in the single digits to preserve trust assets for the benefiting charities.
- The income will consist of part return of principal, part subject to income tax and part subject to capital gains tax (if funded with appreciated capital gain assets).

Split-interest gift

A CRT is an irrevocable trust agreement that provides an income stream to you or other beneficiaries and the remainder to a charitable beneficiary.

Funding asset

- Cash – Simple, but not likely the most effective or efficient assets from a tax deduction perspective.
- Long-term appreciated assets – Appreciated assets can be contributed to the CRT, which will then liquidate them and remain exempt from capital gains tax.

Appreciation of trust assets

- CRTs are tax exempt – Meaning the assets grow tax deferred and then are tax free when distributed to the remainder charitable beneficiaries. However, beneficiaries will pay income and capital gains tax (if applicable) on their distributions during their lifetime.

Establishing a CRT

A CRT is set up during your lifetime. But a testamentary CRT can be established at death — which can provide an income stream for your heirs, with the remainder going to a charity of your choice. This can effectively distribute your estate's IRA assets.

Put the future in your hands

Is a CRT right for you? Contact your financial professional today. They can help find customized life insurance solutions for your estate — and preserve your legacy for generations to come.

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