

Charitable Remainder Trusts

A charitable remainder trust provides income for you and/or others you may choose, as well as a gift to us. The income from this irrevocable trust can continue for the lifetimes of the beneficiaries or for a fixed term or for a combination of the two. You can receive a charitable deduction for the year you establish the trust and if you fund it with appreciated stock, you will get favorable capital gains tax treatment. However, income beneficiaries will be taxed on the distributions received. A formal trust agreement, meeting IRS requirements, is necessary to enjoy the tax benefits.

There are two main types of charitable remainder trusts. A Charitable Remainder Annuity Trust (CRAT) pays the same dollar amount regardless of fluctuations in the value of the trust. Each year, the trustee distributes a fixed dollar amount to the chosen beneficiaries.

In contrast, a Charitable Remainder Unitrust (CRUT) pays varying amounts based on a fixed percentage of the fair market value of the trust assets, as valued annually. There are numerous variations of CRUTs. For example, a CRUT can be structured so that payments to income beneficiaries do not start until a designated event, like the sale of real estate that is in the trust. A donor may be the trustee or choose an individual or corporate entity to serve as trustee.

Why create a charitable remainder trust?

This kind of trust can be customized in many ways. Donors find it useful to meet personal, family and financial goals as well charitable ones. We would welcome the opportunity to work with you and your advisors to consider this versatile option which provides you with lifelong income.

For more information:

John Holmberg, CFP®
Vice President, Gift Planning

630-379-3729
john.holmberg@aah.org

Office of Gift Planning
Advocate Charitable Foundation
2025 Windsor Drive
Oak Brook, IL 60523

aah.org/foundations

Tax ID: 36-3297360

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