KEYS TO EFFECTIVE GIVING
Charitable Remainder Trusts

"Linking Vision with Ministry Through Gift Planning"

The Charitable Remainder Trust (CRT) is one of the most efficient gifting and estate planning tools available to anyone holding assets that have experienced significant appreciation like stocks, bonds, land or buildings. You may also use cash to establish a CRT.

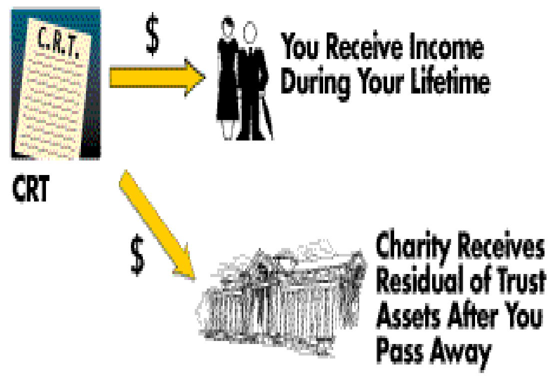
In the past decade, this trust has been steadily gaining in popularity. The substantial benefits for using this trust may include:

- Reduced income and estate taxes.
- Avoidance of capital gains taxes.
- Immediate charitable income tax deduction.
- Increased lifetime income.
- Financial security for self or loved ones.
- Capitalizing on the appreciation in value of the property.
- Accelerating the work of ministry.

The Basics of CRTs

CRTs are irrevocable trusts that actually provide for and maintain two sets of beneficiaries. The first set are the **income beneficiaries** (you and, if married, a spouse).

Income beneficiaries receive an income for your lifetime from the trust. The second set of beneficiaries are the **ministries you name**.



Avoid Capital Gains Taxes

Because their assets are destined for ministry, Charitable Remainder Trusts do not pay **any** capital gains taxes. These taxes can range from 15% to 25% of an asset's growth in value. For this reason, CRTs are ideal for assets like stocks or real estate with a **low cost basis but high appreciated value**. For instance, suppose you sell a piece of real estate for $1 million. Let's assume you originally paid $100,000 for the property. Upon completion of the sale, you would owe capital gains taxes on the $900,000 difference. That tax could easily top $150,000, depending on how long you owned the property and your overall tax situation.

Utilizing a CRT could save $150,000 of taxes and provide life income based on the full value of the property.

13795 S. Mur-Len Road
Suite 101
Olathe, KS 66062

(Toll-Free) 866-273-2549
(Fax) 913-397-9494

info@cnfoundation.org

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Draw Lifetime Income

There are two types of CRTs, a Charitable Remainder Annuity Trust (CRAT) and a Charitable Remainder Unitrust (CRUT). Both of these trusts will pay out income to you for your lifetime.

A **Charitable Remainder Annuity Trust** (CRAT) provides to you a fixed payment of at least 5% of the initial fair market value of the trust.

The **Charitable Remainder Unitrust** (CRUT). In the most common form, the payout of the trust is a fixed percentage (no less than 5%) of the net fair market value of the trust assets calculated at least annually.

When setting the payout percentage, be forewarned: the higher it is, the lower your charitable income tax deduction. Considering market conditions and the possibility that taking out too much may reduce the principal inside the trust, you should probably not receive income of more than 6-7% each year.

Income and Estate Taxes

A CRT is considered "outside of your estate" by the IRS. Because of this, you may end up saving substantial amounts on estate taxes. Plus, you are usually not limited in how much you can contribute by the annual gifting limit or the estate and gift tax credits.

CRTs, because they benefit a charity, also qualify you for an income tax deduction. The amount of your deduction is the present value of the remainder interest to the charity.

Your current deduction also depends on the type of property you contribute, as well as the type of charity you name as a beneficiary.

Accelerate the Work of Ministry

While providing substantial tax benefits and income opportunities, the use of the CRT is most effective in helping you fulfill your part in the Great Commission. Generous giving to the various ministries of the church help bring the message of the Gospel and holiness to world.

Request an Illustration

Please feel free to contact our office for a current illustration based on your individual age and gift or visit our web site for additional information.

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