



KEYS TO EFFECTIVE GIVING

Charitable Remainder Trusts

MODEL GENEROSITY

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 such as 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 can 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.



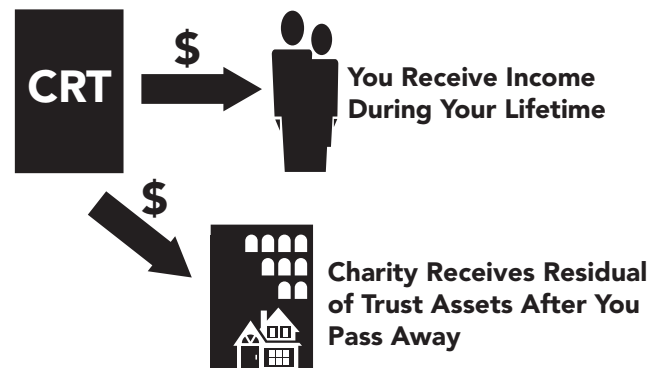
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The Basics of CRTs

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

Income beneficiaries receive an income for your lifetime from the trust. The second set of beneficiaries is 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

Model Generosity—Leave a Lasting Legacy



This information reflects, in very general terms, how a gift might affect specified tax liabilities. This is not an effort to reflect your current tax picture or suggest that a particular gift will have the indicated result in your case; only your lawyer and accountant can do that. We suggest you consult your professionals before acting upon the concepts reflected here.



*A higher standard.
A higher purpose.*

this reason, CRTs are ideal for assets such as 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.

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.

A Charitable Remainder Unitrust (CRUT), in the most common form, pays out of the trust 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. In addition, 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 the 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 (www.CNFoundation.org) for additional information.

Contact the Foundation by phone **913.577.2983** or email **info@CNFoundation.org**.