Charitable Trusts

Charitable Trusts are part of the family of charitable gifts that pay an income. These specialized trusts hold and invest assets that you contribute, and then pay an annual income to you and others you name. This information is for your educational purposes, and to assist you in preparing to speak with an attorney or financial advisor. CRS is not able to draft or establish charitable trusts or serve as Trustee.

There are two different income options based on the type of trust that meets your needs.

Charitable Remainder Trusts

A Charitable Remainder Trust allows you to provide income to yourself and/or others while making a generous gift to charities of your choice. When you create a Charitable Remainder Trust, you will receive an income tax deduction and avoid capital gains tax on the appreciated assets you place in the trust. When the trust ends, the remaining funds will be paid to charities you have named.

Charitable Remainder Trusts come in two forms:

- *A charitable remainder annuity trust*, which makes **fixed annual payments** to you or one or more beneficiaries you name.
- *A charitable remainder unitrust*, which makes **variable annual payments** to you or one or more beneficiaries you name; the payment amount varies because the unitrust portfolio changes from year to year

Charitable Lead Trust

A Charitable Lead Trust provides income payments to at least one qualified charitable organization for a set period of time—either a fixed number of years or lifespan. At the end of this period, the assets revert to you, your spouse or another non-charitable beneficiary.

There are two general types of lead trusts:

- A *grantor lead trust*, in which you are the owner, and all income from the trust appears on your tax returns.
- A *non-grantor lead trust* is a separate legal entity, with its own tax identification number. The trust can take annual deductions for distributions to the charity and will be taxed on income produced.

Lead Trust	Deduction	Taxable	Special Benefits
Grantor	In year of gift	Annually to grantor	Minimize income taxes Must be created during one's lifetime
Non-Grantor	No deduction to donor, trust can deduct annually	Taxed separately	Can be created through a will

If the remainder of the trust is not returned to the donor or donor's spouse, but to other non-charitable beneficiaries, there is the potential for gift and estate taxes.

When creating your Charitable Trust, please seek the advice and counsel of an experienced estate planner and the financial services of an investment bank or trust company.

CRS

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