Charitable Remainder Trusts

What are they?

Charitable remainder trusts (CRTs) provide for the eventual transfer of property to charity after paying income to one or more non-charitable beneficiaries.

- A charitable remainder annuity trust (CRAT) makes income payments to the beneficiary in the form of a fixed annuity.
- A charitable remainder unitrust (CRUT) provides a variable amount of the trust's annual market value.
- Charitable remainder trusts often are appealing to donors with appreciated assets producing little or no income, such as real estate or securities, because the assets can be sold without capital gains tax and invested to provide a higher income stream.

What are the benefits?

- A charitable income tax deduction for the present value of the remainder gift to charity
- No capital gains due on the sale of appreciated assets within the trust
- The opportunity for increased income
- Reduced estate tax liability
- Asset diversification and professional trust management
- The opportunity to make a sizable gift to one or more charities

Minimum contribution

The minimum contribution for The Rhode Island Foundation to serve as trustee is $250,000. You may establish a CRT of a lesser amount with another trustee of your choosing.

How to establish

The Rhode Island Foundation is happy to work with your attorney who will draft the trust document. For a detailed illustration of your gift's potential payout, tax treatment and benefits, contact the Development Office at (401) 274-4564.

While the Rhode Island Foundation can serve as trustee for charitable remainder trusts, there are other options. You can appoint a corporate trustee or co-trustee such as a trust company, or appoint a private trustee. You may also elect to serve as trustee yourself.

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Charitable Remainder Trusts, continued

The Charitable Remainder Trust: A Gift that Gives Back

John and Jane Roberts, both age 70, fund a charitable remainder unitrust with growth stock that paid no dividend but doubled in value, from $125,000 to $250,000, over a 12-year period. According to the terms of their trust agreement, the charitable remainder unitrust will make variable annual income distributions of five percent of the trust's annual year-end value to John and Jane for the rest of their lives.

Donors	Trust	Foundation
Contribution Donors give stock valued at $250,000 to the trust	**Income interest** Donors receive an annual income (the "income interest") from the trust	**Remainder interest** The Foundation receives the assets held by the trust (the "remainder interest") at the death of the last survivng beneficiary

Summary of Benefits*

- Donors make a major gift to The Rhode Island Foundation for the charitable purpose they specify.
- Donors receive a five percent annual payout from the Trust for both their lives. The growth stock used to fund the Trust did not pay any dividend.
- Donors avoid capital gains tax on the transfer (saving $18,750 in federal capital gains tax, assuming a capital gains tax of 15 percent).
- Donors receive a federal income tax deduction of $105,375 (saving $36,881 in income tax, assuming a marginal income tax rate of 35 percent).
- Trust assets are invested by professional managers under the direction of the Foundation's Investment Committee.

**This information is general in nature, incorporating certain investment assumptions and the IRS discount rate in effect as of 4/2009. Please verify with your tax advisors any numbers pertaining to your situation.*

For more information on Charitable Remainder Trusts please visit our website and view the instructional video.

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