

Law Office of Nicole A. Davidson

1092 Gardenia Lane
Concord, CA 94520

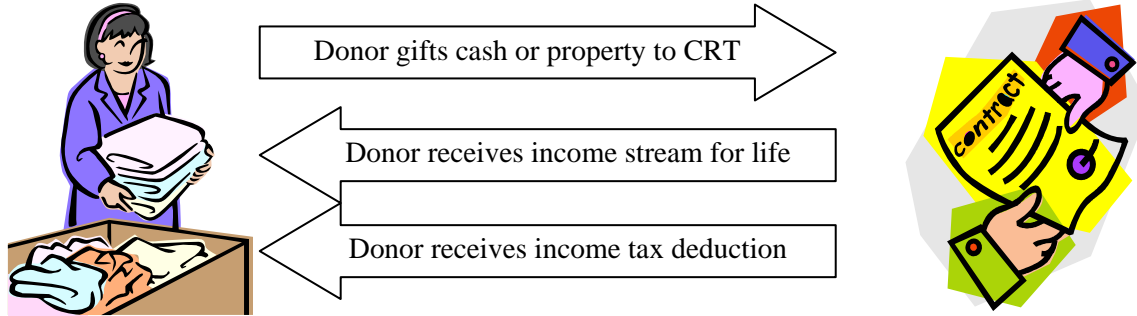
Cell: 510-919-8389
Tel/Fax: 925-689-6890

nicoledavidsonlaw@gmail.com
www.nicoledavidsonlaw.com

Charitable Remainder Trusts

Charitable remainder trusts (CRTs) are irrevocable trust agreements that split an interest between charitable and non-charitable beneficiaries. The person who creates the CRT (“the donor”) puts one or more appreciated assets into a trust that can sell the asset(s) without paying capital gains tax. The entire proceeds are reinvested and grow tax deferred. The trust pays the non-charitable beneficiaries (usually, but not always, the donor or the donor and spouse) an income stream for life or for a fixed number of years (up to 20). The donor also receives an immediate income tax deduction, which can be carried forward for 5 years. When the donor dies, or the term expires, any assets remaining in the trust are distributed to one or more charities selected by the donor.

General Concept of a CRT



Charitable Remainder Annuity Trust (CRAT)

- (1) Fixed dollar amount equal to 5-50% of initial fair market value of trust
- (2) Once funded, no additional contributions

Charitable Remainder Unitrust (CRUT)

- (1) Fixed percentage between 5-50% of trust assets as redetermined each year
- (2) Additional contributions are permitted

Remainder to charity or charities (10%)



CRUT Assumptions

FMV = \$850,000
Basis = \$280,000
Capital gains @ 15%
Current return = 3%
Portfolio return = 6%
Income = \$70,000
Federal tax @ 25%
State tax @ 4%
Donor ages = 65, 62
Unitrust @ 6%

Cash Flow Comparison

	Keep Asset	Sell Asset	Gift Asset
Invest	\$850,000	\$700,825	\$824,500
Annual return	\$25,500	\$42,050	\$49,470
After tax	\$18,105	\$29,855	\$35,124
Tax deduction	-----	-----	\$221,584
Cash flow (15 years)	\$271,575	\$447,825	\$748,444
Increase in cash flow	-----	\$176,250	\$476,869