

What about helping a client experience the best of both worlds? They can receive a tax deduction and make a gift that pays her income for life! Please notice the carefully chosen words. Words that did NOT include technical language. Using “Charitable Gift Annuity” or “Charitable Remainder Trust” or, heaven forbid, “CRAT” CRUT”, etc. will make someone LESS likely to make the gift. Talk about a failed plan!

~Slide 43 - Technical Stuff~

A summary of attributes and benefits:

- Give appreciated assets (CGA – stock, CRT – stock, real estate, business interest) to avoid capital gains
- Immediate tax deduction - present value
- CGA – benefit of age is higher rate
- One life or two
- Lifetime fixed income – CGA, CRAT
- Charity(ies) receive remainder after lifetime of income
- CGA – contract
- CRT – trust (need attorney, files tax returns)

Charitable Gift Annuities are so good for folks who like stability, security while doing good in the world. If their charity of choice does not offer CGAs, turn to their local community foundation(s). While you can set up a deferred CGA, this is most appealing for clients over 70, and preferably over 80. You do get a current income tax deduction and a portion of the payments you receive is tax free. The rates are better than CDs! The contract is between the client and the charity, with the assets of the charity guaranteeing it. Minimums could be as low as \$10,000.

~Slide 44 - CRT Benefits~

Charitable Remainder Trusts are more complicated but returns can be quite attractive, at a minimum 5%. A good rule of thumb for a minimum is \$100,000. A separate legal entity is set up, must make regular (at least annual) payments, and files a tax return. There are four tiers of income and each have a different tax consequence for the income beneficiary. The deduction is in the year(s) the trust is funded. The charity receives the trust assets upon the death (or end of term of years) of the donor. The donor can be the beneficiary or name someone else. Like with CGAs, you can also have two life CRTs.

~Slide 45 - CRAT v CRUT~

Two types of Charitable Remainder Trusts are the annuity trust and the unitrust. The key difference is how payments are calculated. The CRAT payments are fixed. The CRUT assets are valued annually for payment calculation. If the client wants to move property at various times into the trust, that can only be accomplished with the CRUT. Knowing the type of property used to fund the trust is critical to selecting the correct structure. For property that is not liquid, such as closely held stock and real estate, you will not want a situation where the trust is funded and