Charitable Remainder Trusts – Sample Illustrations

Charitable Remainder Trusts take two forms

A ***Charitable Remainder Annuity Trust*** specifies a fixed dollar amount to be paid annually to you or the beneficiaries you name in your trust. The payment must equal or exceed 5 percent of the original value of the assets contributed. The annuity trust payment remains constant, regardless of changes in the trust value.

A ***Charitable Remainder Unitrust*** pays a fixed percentage of the trust's value recalculated annually to you or other beneficiaries named in your trust. This payment must be at least 5 percent of the assets. The actual dollars paid will fluctuate annually as the value of the trust's assets change.

Most donors use the unitrust model because it allows for increasing income if the principal in the trust grows. On the other hand, if the principal in a unitrust decreases in value, the annual payment to the donor would also decrease.

An example of a Charitable Remainder Annuity Trust:

Lydia, age 67, irrevocably transfers $100,000 to create a trust that provides her with life income payments. Included in the trust agreement is a guaranteed payout of 5 percent. As such, Lydia will receive $5,000 annually for the remainder of her life. If income earned by the trust exceeds the fixed payment to Lydia, the excess is reinvested.

Summary of Benefits for Lydia

Charitable Remainder Annuity Trust

ASSUMPTIONS	
Beneficiary Age(s)	67
Gift Amount	$100,000.00
Gift Date	7/1/2014
Payment Rate	5 %
Payment Schedule	Quarterly End

BENEFITS	
Charitable Deduction	$36,167.00
Annual Income	$5,000.00

IRS Discount Rate is 2.4 %

These calculations are estimates of gift benefits; your actual benefits may vary.

How it works

- Lydia transfers $100,000 to a third-party trustee.
- Lydia receives a charitable deduction of $36,167 applicable to the tax year she makes the transfer.
- The trust pays Lydia $5,000 annually as long as she lives or until the trust is exhausted.
- When Lydia dies, 100% of the remaining principal is transferred to Unbound.

An example of a Charitable Remainder Unitrust:

James, age 67, irrevocably transfers $100,000 to create a trust that provides him with life income payments. Included in the trust agreement is a guaranteed payout of 5 percent of the trust's value each year. As such, James will receive a fixed percentage annually for the remainder of his life. Based on investment returns, James may receive more or less than $5,000 in subsequent years. Income earned by the trust is included with the principal balance to determine the value of his annual payment.

Summary of Benefits for James

Charitable Remainder Unitrust

ASSUMPTIONS	
Beneficiary Age(s)	67
Gift Amount	$100,000.00
Gift Date	7/1/2014
Payment Rate	5 %
Payment Schedule	Quarterly End

BENEFITS	
Charitable Deduction	$47,834.00
First Year's Income (future income will vary with trust value)	$5,000.00

IRS Discount Rate is 2.4 %

These calculations are estimates of gift benefits; your actual benefits may vary.

How it works

- James transfers $100,000 to a third-party trustee
- James receives a charitable deduction of $47,834 applicable to the tax year he makes the gift.
- The trust pays James $5,000 the first year and 5% of the trust annually for as long as he lives.
- When James dies, 100% of the remaining principal is transferred to Unbound.

The American Council on Gift Annuities & Gift Annuity Rates

Unbound follows the established guidelines and annuity rates of the American Council on Gift Annuities (ACGA). The ACGA actively promotes responsible philanthropy through actuarially sound gift annuity rate recommendations, quality training opportunities, and the advocacy of appropriate consumer protection. Accordingly, the Rates Committee and the Board of the ACGA perform regular and customary reviews of factors that affect rates and make recommendations subject to periodic change.

This document provides general information about gift planning and is not intended to provide individual financial, legal or tax information or advice. Unbound recommends that you speak with a tax adviser, financial adviser or attorney about how to make charitable giving part of your overall financial plan.