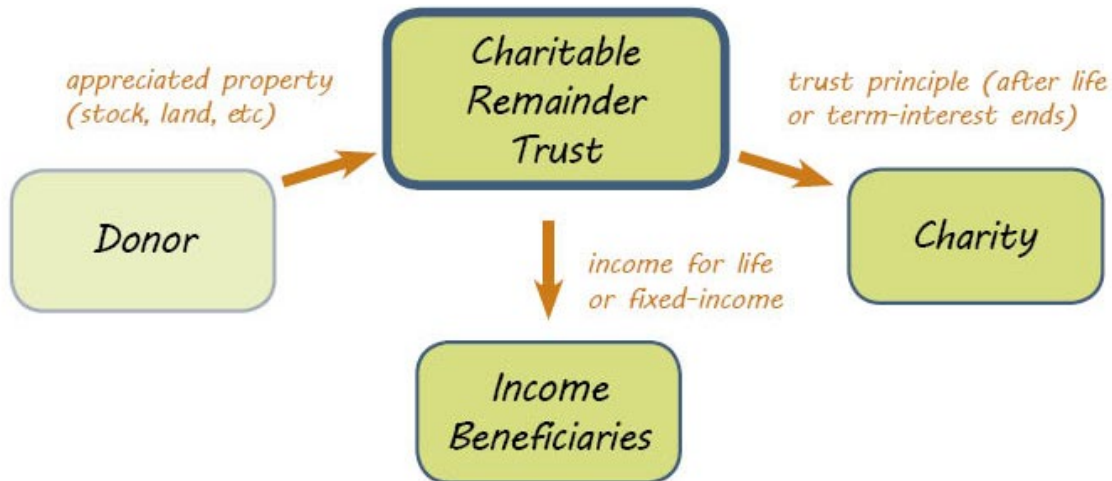


## Charitable Remainder Trust



A Charitable Remainder Trust (CRT) is a tax-exempt trust that can liquidate an asset to create two interests: Income Interest and Remainder Interest. The income interest is paid out to a designated beneficiary (such as the creator of the trust) for a lifetime or at the conclusion of the term and the remainder interest is passed on to a qualified organization of the donor's choice as specified in the trust document. Qualified organizations include charities, family foundations, donor advised funds and others.

### Who does it work for?

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Charitable Remainder Trusts are a powerful tool that can address many personal financial goals while facilitating a significant gift to a charity of choice. Anyone who is subject to paying capital gains taxes on appreciated assets, whose estate is subject to estate taxes, would like to benefit charity and has a need for income is a candidate to benefit greatly from a CRT.

## Benefits of a CRT

### **Tax-Free Asset Conversion**

Through a Charitable Remainder Trust, appreciated assets may be sold free from the erosion of capital gains tax. Asset conversion is the most visible financial advantage of using a CRT.

### **Current Income Tax Deduction**

A gift to a CRT can provide you with a current income tax deduction that can offset all forms of income.

### **Increased Cash Flow**

You may own a highly appreciated asset that generates little or no income, but you may be reluctant to sell it because the capital gains tax could consume more than one-fifth of its value and one-fifth of the resulting income. The ability to sell the asset free from capital gain taxes enables a Charitable Remainder Trust to generate more income for recipients.

### **Lifetime Cash Flow Planning**

With careful design and investment management, the CRT can defer income for later distribution. This feature enables possible accumulation of income for retirement planning or for intermittent financial needs that may occur along the way. Income deferral can also enhance the value of the ultimate charitable gift.

### **Retirement Planning and Asset Management**

Among other things, retirement denotes reduction of management responsibilities, not only in the work place, but also with personal assets. The CRT provides the means to dispose of management intensive assets. It also supplies a mechanism to provide professional asset management during a person's later years when it may be most needed or desired.

### **Gift and Estate Tax Planning**

The Charitable Remainder Trust offers you an effective alternative to the payment of gift and estate taxes. Amounts transferred to a CRT are not subject to gift or estate taxes. The combination of capital gains tax, gift tax and estate tax avoidance can be very compelling for those who wish to control their social capital.

## Charitable Remainder Trust Example

Here is an example of a \$2,000,000 appreciated asset that the owner wishes to sell.

Scenario 1: Sell the asset (could be stocks, real estate, business interest, etc.), pay tax, reinvest proceeds and take income.

Scenario 2: Sell 60% of the asset in a CRT and 40% NOT in a CRT. The CRT asset upon sale does incur taxation. The 60% left outside the trust does have taxation upon sale. The CRT asset is very efficient and designed for income. It allows the outside asset to grow. The desired result is that everyone gets a raise: You, your family, your community and your causes.

Low Basis Capital Asset	100%	CRT	Non- CRT	60/40 CRT Combination	Increase from Charitable Solution
<u>\$2,000,000.00</u>	<u>No CRT</u>	<u>60%</u>	<u>40%</u>		
<b>Net Proceeds After Tax</b>	<b>\$1,464,000</b>	<b>\$1,200,000</b>	<b>\$585,600.00</b>	<b>\$1,785,600</b>	<b>22%</b>
<b>30 Year Income Benefit</b>	<b>\$2,046,160</b>	<b>\$1,764,000</b>	<b>\$685,895</b>	<b>\$2,449,895</b>	<b>20%</b>
<b>Income Tax Deduction</b>	<b>\$0</b>	<b>\$144,000</b>	<b>\$0</b>	<b>\$144,000</b>	
<b>Remainder Value Donor</b>	<b>\$587,074.35</b>	<b>\$0.00</b>	<b>\$898,333</b>	<b>\$898,333</b>	<b>53%</b>
<b>Remainder Value Charity</b>	<b>\$0.00</b>	<b>\$1,200,000.00</b>	<b>\$0</b>	<b>\$1,200,000</b>	
<b>Total Value Donor/Seller</b>	<b>\$2,633,234.20</b>	<b>\$1,908,000.00</b>	<b>\$1,584,228</b>	<b>\$3,492,228</b>	<b>33%</b>
<b>Total Value Society</b>	<b>\$2,633,234.20</b>	<b>\$3,108,000.00</b>	<b>\$1,584,228</b>	<b>\$4,692,228</b>	<b>78%</b>

NOTE: In addition to the gift and estate tax savings generated by the trust itself, the cash flow created by the CRT can be coordinated with other estate planning and financial planning techniques. As shown above, leveraging the income created by the CRT and allowing other assets to grow can increase the overall benefits to you, your family, or your causes.

Please be aware that there may be substantial fees, charges, and costs associated with establishing a charitable remainder trust. Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. All numbers provided are hypothetical to use as a demonstration.