Charitable Remainder Trusts

Since the late 1960s, families and individuals have been utilizing the Charitable Remainder Trust to make particular types of assets (especially highly appreciated, low yield assets) have an impact far beyond what conventional formulas might otherwise suggest.

When the decision is made to transfer a qualifying asset into a Charitable Remainder Trust (CRT), up to 100% of the capital gains tax is bypassed and the donor is entitled to a charitable income tax deduction.

These tax benefits are possible because this transfer represents an eventual gift to charity. In recognition of this irrevocable charitable gift, our tax laws reward the donor. The benefits begin to add up! The trust makes regularly scheduled payments to the individual or family - resulting in an increase in income.

For example, consider a $200,000 asset that has been producing 2% income ($4,000 each year).

Thanks to the CRT, the full $200,000 is repositioned to generate a higher return, perhaps providing a 6% income stream -- or $12,000 annually.

For a husband and wife, both 65 years of age with a 25 year life expectancy, this adds up to an increase in income of more than $200,000 over the life of the donors (an increase of $8,000 X 25 years).

The charitable nature of the CRT is realized when, upon the death of both husband and wife, the trust passes to the specified charity or charities. Assuming wise management of the trust principal over the years, this remainder can easily exceed the original value of the trust. When added up, the Charitable Remainder Trust can save current tax dollars, generate an increase in current income and result in a substantial gift to charity.

For more information about how a Charitable Remainder Trust help you realize the sum of your objectives for family and for NNU, we invite you to contact us.

(This information is provided as an educational service. Personal advisors should always be consulted.)

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