



# Charitable Trusts



Charitable trusts are irrevocable trusts that include both taxable and non-taxable beneficiaries. They are popular estate planning vehicles that can be structured to provide the grantor with flexible planning options.

There are two basic types of charitable trusts: charitable remainder trusts and charitable lead trusts. In both instances, the grantor can contribute highly appreciated assets to fund the trust, avoid the capital gains tax on the sale of the assets, and receive an income tax deduction for a portion of the amount donated in the year of funding.

## Charitable Remainder Trust (CRT)

A charitable remainder trust distributes income to the non-charitable beneficiary for life or a term of 20 years, then donates the remaining balance of the trust to designated charities. When utilized properly, a charitable remainder trust can greatly reduce the tax liability of an individual and their estate, leaving more of the grantor's assets for generations to come. There are two main types of charitable remainder trusts:

### Charitable Remainder Annuity Trust (CRAT)

A CRAT pays the grantor a fixed dollar amount annually determined when the trust is established. The grantor cannot make additions to a CRAT.

### Charitable Remainder UniTrust (CRUT)

A CRUT pays the grantor a fixed percentage of the trust's value annually computed at the start of each year. The grantor can make additions to a CRUT.

#### NIMCRUT

A popular variation of the CRUT provides for distribution of a set percentage of net income with right of make-up, known as a NIMCRUT. It is very flexible since income can be deferred for years and then paid out as needed, similar to a retirement plan, but without the IRS restrictions.

## Charitable Lead Trust (CLT)

A CLT distributes a portion of the trust's income to the charitable beneficiary for a specified period of years or designated lifetime after which the balance is distributed to non-charitable beneficiaries, either back to the grantor or the grantor's heirs. They can be setup to provide an annuity or unitrust payment, similar to CRTs. CLTs are useful planning tools for grantors who are not concerned with receiving current income from donated assets and are more interested in removing assets from their taxable estate.

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