



## Office of Planned Giving

# Charitable Trusts

A charitable remainder trust is a legal entity that is established with the assistance of an attorney and funded by the donor with assets such as appreciated securities, cash, or real estate. The trust's principal invested the Trustee is usually responsible for making payments from the trust to the donor and/or a family member for either a set term of years or for the duration of their life (or lives). A charitable income tax deduction is usually allowed for the amount equal to the present value of Stetson's remainder interest in the trust when the trust is established. At the death of the beneficiaries, the funds remaining in the trust are passed on to Stetson. The primary types of charitable trusts are:

A Charitable Remainder Annuity Trust provides consistent payments, the amount of which is based on factors that include the age of the donor and the amount of the trust.

Once established with cash, securities, or real estate, the Charitable Remainder Unitrust provides a percentage income - usually between 5% and 8% as specified by the donor - based on the value of the trust assets. The trust value is determined once a year, and the payments that year are based on this annual valuation. In most cases, additional gifts may be made to a charitable remainder unitrust.

Another popular charitable trust is the Charitable Lead Trust. The Lead Trust is created in the same way as a Charitable Remainder Trust. One difference is that the charity receives the payments (for up to 20 years) instead of the donor. When the trust is terminated, the principal is distributed to a non-charitable beneficiary (such as the donor or a family member). Taxation of the payments received by the charity during this time is determined by several factors. In some scenarios, the donor is responsible for paying the tax.

Charitable remainder trusts may provide the donor

with several benefits under current tax laws. These may include capital gains tax breaks; reducing the size of the donor's taxable estate; realizing a charitable income tax deduction; and increasing present income.

It is always wise to consult a professional advisor to be sure that your charitable estate planning needs are adequately addressed.

**For more information, contact Kate Pearce at 386-822-7459.**