



“Whoever has a bountiful eye will be blessed, for he shares his bread with the poor.”

Proverbs 22:9

“I do not believe one can settle how much we ought to give. I am afraid the only safe rule is to give more than we can spare.”

C.S. Lewis,
Author and Theologian

CHARITABLE REMAINDER TRUSTS

Plan Now to Give Later

For many individuals interested in Advancing the Kingdom, a Charitable Remainder Trust offers an excellent opportunity to support ministry and provide income for themselves or family members. Oftentimes it allows the donor to provide support to their church or other ministry at a level they never thought possible.

The Charitable Remainder Trust not only provides a future gift to a ministry and income to the donor, but it also provides a current tax deduction and can be used to avoid other taxes as well.

Benefits of a Charitable Remainder Trust

- Provides income stream for the life of the income beneficiaries or for a specific number of years.
- Leaves a gift of the remainder of principal to your church or other ministry that you choose.
- Can convert a non-income producing asset into income producing.
- Qualifies for a federal income tax deduction in the year of the gift (Income tax deduction is subject to limitations).
- If the trust is funded with appreciated property, capital gains tax is avoided when the property is sold by the trust.
- The gift to the trust qualifies for an estate tax exemption.



LOUISIANA
BAPTIST
FOUNDATION

TYPES OF CHARITABLE REMAINDER TRUSTS

Charitable Remainder Annuity Trust (CRAT)

As an annuity trust donor, you irrevocably transfer assets, usually cash or securities, to a trustee of your choice (for example, the Louisiana Baptist Foundation).

The term of the trust can be for the life of the selected income beneficiaries or a fixed term of not more than 20 years. Each year, the trustee distributes a **fixed dollar amount** to your income beneficiaries. The payments must be at least 5% of the trust's initial value and are made out of trust income, or trust principal if income is insufficient. Payments typically continue until the term ends. Payments may be made annually, semiannually, or quarterly.

When the term ends, the remainder of the trust's principal passes directly to the ministry you designate or to a permanent endowment to benefit the ministry.

Charitable Remainder Unitrust (CRUT)

A unitrust operates similar to an annuity trust as far as the term of years, the minimum percentage payout, and the selection of income beneficiaries and remainder beneficiary. There are two main differences between a CRAT and a CRUT:

First, because the unitrust is a more flexible instrument, it is more conducive to real estate donations and gifts of other assets that are not as liquid as cash or securities.

Second, the basis for calculating payments to the income beneficiary is different. Each year, the trustee distributes a **fixed percentage** of the unitrust's current value, as revalued annually, to the income beneficiaries. If the unitrust's value goes up from one year to the next, its payout increases proportionally. Likewise, if the unitrust's value goes down, the amount it distributes also decreases. For this reason, it may be advantageous to choose a reasonable payout percentage so that the unitrust assets can grow along with the annual payment.

Note: There are several variations of CRTs. Charitable Remainder Unitrusts and Charitable Remainder Annuity Trusts are just two basic types. Also, CRTs are regulated by the U.S. Tax Code and must be properly drafted and administered to qualify for associated tax benefits.

The Louisiana Baptist Foundation has been assisting donors with charitable remainder trusts and other charitable giving options since 1944. Please contact us to learn how your gift can be used for *Advancing the Kingdom.*



This information is ***not*** to be substituted for legal advice. Consult a knowledgeable legal professional to assist you with your estate planning needs.