

Charitable Trust Planning Comparison

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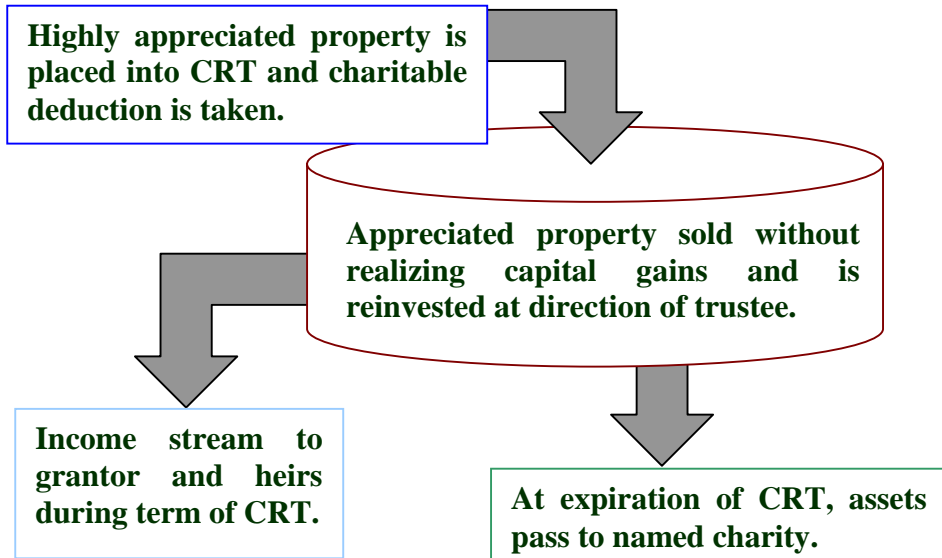
	Charitable Remainder Trust (CRT)	Charitable Lead Trust (CLT)
General Idea:	<ul style="list-style-type: none"> • Appreciated property with low cost basis is placed into the CRT. • The appreciated property is then sold by the CRT and new investment assets are acquired. • A fixed annuity amount which can invade principal (CRAT), or a percentage of the trust which can invade the principal of the trust (CRUT), or a percentage of the trust which does not invade the principal of the trust, with shortfalls picked up in subsequent stronger years (NIMCRUT) is paid out to the grantor and then the grantor's heirs (the income beneficiaries) during their lifetime or for a term of years (not to exceed 20 years). • After the death of the income beneficiaries or the expiration of the CRT term, the assets remaining in the CRT are distributed to a named charity or charities. 	<ul style="list-style-type: none"> • Income producing property which is easy to value and liquid in nature is placed into the CLT. • A fixed annuity amount which can invade principal (CLAT) (usually used for children), or a percentage of the trust assets which can include principal (CLUT) (usually used for grandchildren) is paid out to a named charity for a term of years. • Upon the expiration of the CLT term the trust assets pass to the named remainder beneficiaries (heirs of the grantor). • If the income paid out of the CLT is less than the income earned by the CLT, the named remainder beneficiaries will receive more income. • Can be created during life (inter vivos) or at death (testamentary).
Trustees:	<ul style="list-style-type: none"> • Grantor and heirs can be the Trustees of the CRT. 	<ul style="list-style-type: none"> • Grantor and heirs can be the Trustees of the CLT.
Minimum Distribution:	<ul style="list-style-type: none"> • At least 5% of the value of the trust assets must be distributed to income beneficiaries during their lifetime or the term of the CRT. 	<ul style="list-style-type: none"> • No required minimum distribution.
Charitable Contribution:	<ul style="list-style-type: none"> • The charitable contribution is equal to the present value of the remainder interests passing to the named charity. 	<ul style="list-style-type: none"> • The charitable contribution is equal to the annual amounts distributed to the named charity.
Tax Issues:	<ul style="list-style-type: none"> • Since the CRT assets pass to a charitable remainderman, the sale of CRT assets are not subject to capital gains. However, if distributions to the income beneficiaries exceed the income earned by the CRT, capital gains will be due on those excess distributions. • The entire value of the assets contributed to the CRT are removed from the Grantor's estate. • No gift tax on income distributed to heirs if grantor retains the right to revoke an heir's right to future payments. 	<ul style="list-style-type: none"> • CLT assets are not removed from the grantor's estate. • Assets passing to remainder beneficiaries receive a substantial discount in value due to fact that assets will not be received by remainder beneficiaries for the term of the CLT. • Trust is taxed on all income but receives an annual charitable deduction for amounts paid to charities during term. • The gift tax amount is equal to the present value of the remainder interest passing to the remainder

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	<ul style="list-style-type: none"> The CRT does not pay income tax on trust income. 	beneficiaries.
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Income Tax Deduction Limitations:	<ul style="list-style-type: none"> Charitable deduction can be carried forward and deducted over five years if not used in the first year. If the charity is a public charity, up to 50% of the grantor's AGI can be deducted, unless the gift is of stock, real estate or other capital assets owned by the grantor for more than one year. If the charity is not a public charity, such as a private foundation, up to 30% of the grantor's AGI can be deducted, with the balance carried forward for the next five years. If the charity is not a public charity, such as a private foundation, and if the gift is of stock, real estate or other capital assets owned by the grantor for more than one year, up to 20% of the grantor's AGI can be deducted, and may be further limited based on the cost basis of the property contributed, with the balance carried forward for the next five years. 	<ul style="list-style-type: none"> Charitable deduction can be carried forward and deducted over five years if not used in the first year. If the charity is a public charity, up to 50% of the grantor's AGI can be deducted, unless the gift is of stock, real estate or other capital assets owned by the grantor for more than one year. If the charity is not a public charity, such as a private foundation, up to 30% of the grantor's AGI can be deducted, with the balance carried forward for the next five years. If the charity is not a public charity, such as a private foundation, and if the gift is of stock, real estate or other capital assets owned by the grantor for more than one year, up to 20% of the grantor's AGI can be deducted, and may be further limited based on the cost basis of the property contributed, with the balance carried forward for the next five years.

Charitable Remainder Trust



Charitable Lead Trust

