

More Information About Charitable Remainder Annuity Trusts

A **charitable remainder annuity trust** is a way to make a gift while assuring a fixed, regular income. Payments from such a trust can be a reliable income supplement in retirement years. The payments received each year will be 5% or more of the amount originally placed in the trust. You determine the exact amount when your trust is created.

Example

George, 75, decides to place \$250,000 in a **charitable remainder annuity trust**. The trust is funded with stocks that cost \$100,000 and are yielding 1%, or \$2,500, per year in income.

George decides to provide for lifetime payments from the trust of 5% of \$250,000, or \$12,500, each year regardless of the actual earnings of the trust. This will result in a substantial increase in income while making a significant charitable gift in the future.

To summarize the benefits received:

1. A fixed and predictable annual income for life of (5% of \$250,000) \$12,500.
2. No capital gains tax is due when assets transferred to trust are sold. (A portion of the annual payments may include some of the capital gain and may then be taxed at lower rates.)
3. An immediate charitable income tax deduction of over **\$117,167**. (The charitable income tax deduction may be carried forward for as many as five years if the deduction is more than can be used in the year of the gift.)



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