Charitable Remainder Trust (CRT)

CONCEPT APPLIED: A donor creates a CRT to provide (1) income to a named beneficiary(ies), and (2) a remainder interest to charity. The donor enjoys an itemized tax deduction for the present value of the anticipated remainder interest when the trust is funded.

HOW IT WORKS: The donor transfers property to the trust and designates a beneficiary or beneficiaries to receive annual income payments. The trust distributes the remainder to charity when the trust term ends.

CRATs: • allow only one contribution • pay out a fixed percentage of the trust’s initial value

CRUTs: • allow multiple contributions; • pay out a fixed percentage of the trust’s annually revalued assets • can be funded with other assets such as real estate

WHY IS IT USEFUL? A CRT is a flexible planning tool that lets donors convert assets to an income stream (often used to supplement retirement income) while making a gift to charity.

50 words or less A CRT is an irrevocable trust that pays a beneficiary or beneficiaries an income during the trust term, then distributes the remainder to a qualified charity. A CRT may be an annuity trust (CRAT) or a unitrust (CRUT).