

Charitable Remainder Trust

What is a charitable remainder trust?

A charitable remainder trust (CRT) is established when you transfer assets (whether cash or appreciated) to the trustee named in the trust agreement (e.g., bank or UF). Your trustee invests the assets for the term of the trust, which can be the life of your beneficiary (or beneficiaries) or a term of no more than 20 years. When the trust ends, remaining assets are distributed under the guidelines you set for your gift to UF.

There are two basic types of CRTs. An annuity trust pays a fixed amount each year for as long as the trust term lasts; payment must be at least 5% of the trust's value when it is established. A unitrust payment must still be at least 5% of the trust's value, but it is revalued annually.

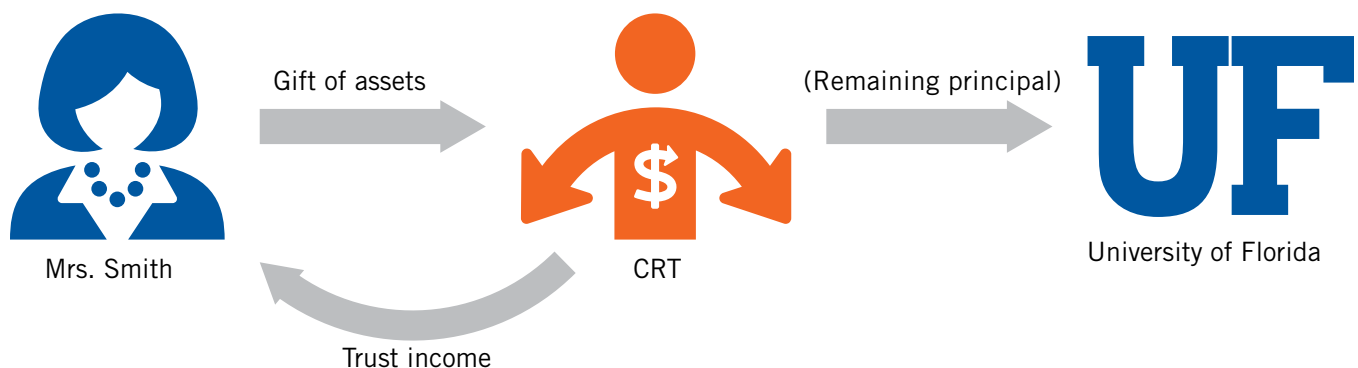
What are the benefits of setting up a charitable remainder trust with UF?

- Ensure a bright future for UF and continue the storied tradition of giving.
- Supplement your retirement income with the potential for long-term income growth.
- Unlock appreciated assets (securities, real estate, business interests, etc.) without incurring a capital gains tax.
- Remove assets and future appreciation from your taxable estate.
- Receive secure investment and administrative management through UF.
- Obtain a significant income tax charitable deduction.

Gift planning tip

The type of trust you choose depends on your goals. The annuity trust may be more appropriate if you want a fixed, steady stream of income. The unitrust, with its variable payments, may provide a hedge against inflation.

Charitable Remainder Trust in Action



Income to Mrs. Smith and/or her beneficiaries | Income tax deduction | No capital gains tax

ANNUITY TRUST EXAMPLE

Mrs. Smith establishes a \$200,000 annuity trust with a payout rate of 5 percent to help her granddaughter attend college. Her granddaughter receives \$10,000 annually for five years, even if the trust appreciates or its value declines. Mrs. Smith has directed that at the end of those five years the remaining principal be used to fund a UF scholarship. Mrs. Smith also receives a \$151,784 income tax deduction the year the trust is established.

UNITRUST EXAMPLE

Mrs. Smith establishes a \$200,000 unitrust with a payment rate of 5 percent as revalued each year, with the payments going to her for the rest of her life. If the trust appreciates to \$205,000, she receives \$10,250. Conversely, if its value declines to \$195,000, her income is \$9,750. Mrs. Smith has directed that, upon her passing, the remaining principal be used to fund a UF scholarship. In addition, Mrs. Smith receives a \$123,126 income tax deduction the year the trust is established.*

**The results in this example are based on a 1.4 percent CFMR and may vary due to time of gift and other factors.*

Let us help you plan

UF/IFAS Development will confidentially answer your questions about giving and work closely with your legal, tax and other advisers to come up with an integrated plan that meets your goals. Please contact us anytime or visit our interactive website at <http://giftplanning.uff.ufl.edu>.

CONTACT



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