- an opportunity to give
- greater spendable income with beneficial tax savings
- immediate charitable income-tax deduction
- annual income during the lifetime of chosen beneficiaries
- eventual endowment of favorite charities
- a way to strengthen the Church!

Example of a Charitable Remainder Annuity Trust

Linda transfers property worth $100,000 to a charitable remainder annuity trust and directs that 5% of the value of the trust, an income of $5,000 per year, be paid to her for as long as she lives. The trustee immediately reinvests the property in a diversified portfolio. The trustee is required to make the payments to her each year out of the income or principal. Upon Linda's death, the remaining trust property is given to the charitable beneficiaries that she designated during her life.

Linda receives an immediate charitable income-tax deduction in the year that she established this irrevocable trust. If her charitable income tax deduction happens to exceed the IRS limits, the excess amount may be carried forward for up to five years.

Linda could have selected more than one person as an income beneficiary. For instance, she could have added her daughter as an income beneficiary. She also could have selected a different fixed percentage to be paid to the beneficiaries or even changed the duration of time that they receive the income.

Questions?

If you have questions or would like more information about planned giving opportunities, please contact us at 888-451-1929 or info@UMFMichigan.org.

Individual circumstances vary. Please consult with the Foundation staff and your attorney to ensure that you establish a proper charitable remainder trust document and to determine if this opportunity makes sense for you and your family.

UNITED METHODIST FOUNDATION OF MICHIGAN

Helping Faithful People Live Generous

888-451-1929
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All About the Charitable Remainder Trust

answers to questions about a generous way to benefit your family and favorite ministries

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Why Consider a Charitable Remainder Trust?

It is possible to give a gift now, but retain the right to income from it. This arrangement, often called a "life income gift," potentially could benefit you, your family, and various ministries chosen by you. Family interests and retirement income needs may impact your ability to consider substantial outright gifts now. Under a life income gift, you are typically able to receive income, reduce taxes, and provide a charitable gift – all at the same time. A charitable remainder trust is one type of life income gift.

What is a Charitable Remainder Trust?

A charitable remainder trust is an irrevocable trust created by an individual to benefit eventually a charitable organization. It may provide payments to you or other income beneficiaries, if desired, for life. Upon the death of the income beneficiaries, the remainder interest of the trust is given to one or more charitable beneficiaries like a local church or church-related ministry.

What are Some Benefits of a Charitable Remainder Trust?

A charitable remainder trust will provide income to you and/or other income beneficiaries selected by you for life or a period of up to 20 years. You will receive an immediate and substantial income tax charitable deduction. You may avoid capital gains taxes if the trust is funded with long-term appreciated property. You potentially reduce probate costs and estate taxes.

How Will a Charitable Remainder Trust Support Ministry?

When you name your local church or church related ministry as a final beneficiary of your charitable remainder trust, you help the church change lives for the transformation of the world. Your gift will strengthen and further the mission and ministry of the Church by providing generous financial resources. Ultimately, your action will serve as a witness of a faithful person living a generous life!

You may even assign more than one final beneficiary and provide support to multiple ministries through one charitable remainder trust. For example, you might designate 50% of the gift for your local church and 50% to other church-related ministries, like the United Methodist Foundation of Michigan.

How is a Charitable Remainder Trust Funded?

You fund the trust with an irrevocable gift of an asset such as real estate, stock, cash, or most any security. You may select the individual income beneficiaries, fix the percentage of value that will be paid to these beneficiaries, and direct the period of time for income benefits to be paid. The local church and/or church-related ministries receive the remainder interest of the trust upon the death of the income beneficiaries.

Who is the Trustee of a Charitable Remainder Trust?

The United Methodist Foundation of Michigan is well-prepared to serve as the trustee, although an individual or financial institution with trust capabilities may serve in this role, too. The Foundation provides full-time money management, assists in the planning and protection of assets, and completes the necessary record keeping responsibilities. All of these services are provided confidentially at very reasonable rates.

What are the Differences Between the Two Types of Charitable Remainder Trusts?

The two forms of charitable remainder trusts are charitable remainder annuity trusts and charitable remainder unitrusts.

The Charitable Remainder Annuity Trust

Typically, this trust instructs the trustee to pay a certain, specified income to the beneficiaries each year for life and to transfer the remainder interest of the trust to the local church or church-related ministry upon the death of the designated income beneficiaries. The income beneficiary may be you, but other income beneficiaries may also be named. However, successive income beneficiaries do decrease the current charitable deduction. No payments, except the designated amount, may ever be made to the income beneficiaries.

The Charitable Remainder Unitrust

This trust differs from the charitable remainder annuity trust in one very important way – rather than a fixed-dollar amount, the unitrust arrangement provides income payments that vary with the investment performance of the trust. The unitrust must be valued each year. A specified percentage of the value must be paid to the income beneficiaries. If the value of the trust assets increases, the annual payments go up. If the value of the trust assets decreases, the annual payments go down. You may make additional contributions to a unitrust, but not to an annuity trust.

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