

Many Ways of Giving

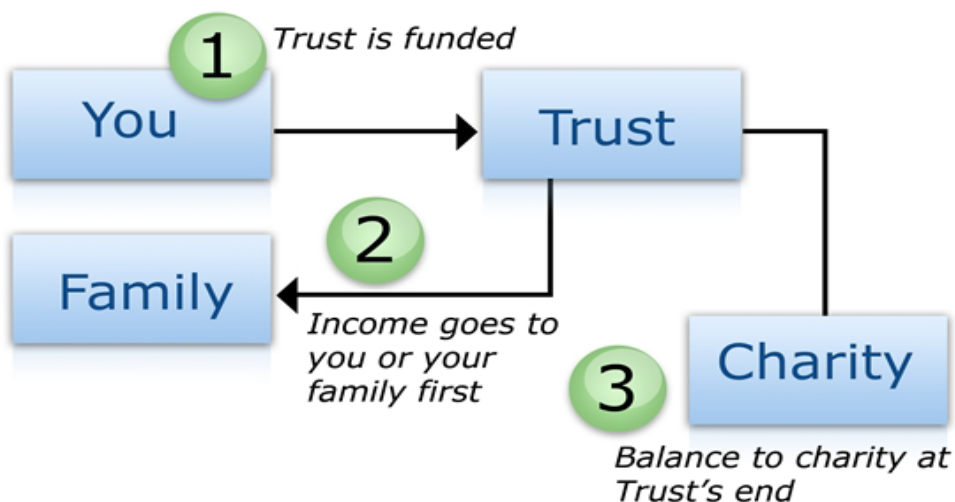
As a charity, Family House depends upon the generosity of supporters to maintain our critical mission and keep our houses homes. Giving can come in many forms; financial contributions, in kind gifts and the gift of time. Every gift is meaningful to Family House and helps to secure our future for those families who will need us. The following article on charitable giving through a Charitable Remainder Trust is enlightening and informative. Please take a moment to read this and give some thought as to how you might formulate your charitable gift for Family House.

Charitable giving through a Charitable Remainder Trust

Charitable giving can play an important role in many estate plans. Philanthropy cannot only give you great personal satisfaction, it can also give you a current income tax deduction, let you avoid capital gains tax, and reduce the amount of taxes your estate may owe when you die.

There are many ways to give to charity. Today, I would like to focus on The Charitable Remainder Trust. A Charitable Remainder Trust is an irrevocable trust used to enable donors to give property or money to charities, while continuing to receive income from the gift for life or for a period of time up to 20 years. The grantor and/or other beneficiaries receive distributions from the trust annually, and the charities receive the assets remaining in the trust when the trust ends. The grantor gets an immediate income tax deduction for the remainder interest, defers or avoids capital gains tax on the donated assets, and gets gift or estate tax deductions for the remainder interest.

How a Charitable Remainder Trust Works



Example: Jane, an 80-year-old widow, creates and funds a charitable remainder trust with real estate currently valued at \$1 million, and with a cost basis of \$250,000. The trust provides that fixed quarterly payments be paid to her for 20 years. At the end of that period, the entire trust principal will go outright to her husband's alma mater. Using IRS tables and assuming a 4.8% AFR, Jane receives \$50,000 each year, avoids capital gains tax on \$750,000, and receives an immediate income tax charitable deduction of \$354,903, which can be carried forward for five years. Further, Jane has removed \$1 million, plus any future appreciation, from her gross estate.

Advantages of a Charitable Remainder Trust

Charitable Remainder Trusts allows grantors to:

- Give to charity
- Receive income for life or term of years
- Receive immediate income tax deductions
- Reduce or eliminate capital gains, gift, and estate taxes
- Enjoy freedom from investment management decisions and duties

Disadvantages of a Charitable Remainder Trust

- Transfers are irrevocable
- Terms of the trust are unchangeable (though assets and charitable beneficiaries may change)
- Assets that pass to charity do not pass to heirs

Charitable Remainder Trusts are not for everybody. Before you consider setting up such a trust you should discuss your situation in more detail with an estate planning attorney and your financial advisor. If you would like more detailed information on the Charitable Remainder Trust or other ways to give to charity, please contact an estate planning attorney, your financial advisor, or you may contact Alfred Vallano, Senior Vice President of Hefren Tillotson, Inc. at Alfred.Vallano@hefren.com.

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