Trusts for the Charitably Minded

You may want to respond in a substantial way to a worthy cause seeking your financial support, but are concerned about how a major gift will affect you and your family in the long run. Deciding upon a beneficiary for your charitable contributions is only the first step. You may be able to do more than you realize.

It's all a matter of planning, and charitable trusts are tools that can help.

Charitable Remainder Trusts

With a charitable remainder trust, you retain the right to receive income from the trust for life, or for a period of not more than 20 years. Or, you can make another family member the income beneficiary. You give the charity that you have designated the right to receive the assets remaining in the trust once the income payments have been completed. The trust will be either a charitable remainder unitrust or a charitable remainder annuity trust.

The unitrust pays the income beneficiary a fixed percentage of its assets, determined each year. If the trust grows in value, the income payments go up. The annuity trust, in contrast, pays a fixed dollar amount each year regardless of the trust's investment performance.

Charitable remainder annuity trusts provide greater certainty than unitrusts, but do not protect against inflation. The donor knows exactly how much that the trust will pay each year, unlike unitrust payments that fluctuate with market conditions. Still, in the long run most of the fluctuations should be upward, creating a growing income flow that helps the donor keep abreast of the rising cost of living.

Tax Advantages of Charitable Remainder Trusts

Because you relinquish the right to change your mind when you set up your trust, you qualify for significant income tax benefits.

Tax Benefits For You

1. **An immediate charitable deduction.** Part of the value of your deferred gift can be deducted as if you made an immediate donation. Generally, the deductible value of a charitable remainder interest ranges from 20% to 50% of the value of the assets that are placed in trust. The exact amount is determined by actuarial tables, the nature of the income interest, and prevailing interest rates when the trust is funded.

2. **Freedom from capital gains tax.** Charitable remainder trusts are often funded with assets, such as securities or real estate, that have grown substantially in value over the years. By donating appreciated property, you may avoid the capital gains tax that you would have paid had you sold and reinvested the proceeds yourself.

Charitable Lead Trusts

In some cases, charitably inclined donors can achieve greater gift-tax economy by creating what you might think of as "family remainder trusts." Usually, they are called charitable lead trusts.

Charitable lead trusts work much like charitable remainder trusts, but in reverse. A charity receives unitrust or annuity payments for a specified number of years, then the trust remainder passes to family beneficiaries.

When you create a charitable lead trust, you are charged with making a taxable gift of only the family "remainder." Consequently, you use up significantly less of your exemption from federal gift and estate tax. Or, if your previous family gifts already have exceeded your exemption amount, you pay significantly lower tax on the transfer.

Who can help maximize my charitable contribution?
The idea behind "planned giving" is that you should look at the ways in which charitable intentions can be linked with steps that create greater financial security for yourself or members of your family.

The professionals at **Garden State Trust Company** have years of experience taking those factors into consideration, and can help you achieve your noble goals.

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