

THE **G.I.F.T.** SERIES

GENERATING IMPACT FROM TREASURE



CHARITABLE REMAINDER TRUSTS

Our actions are inspired by faith

PART 2

NOW AND LATER

Whether you're making a decision about family, finances, stewardship, philanthropy, or Bethany Christian Services—we understand how important it is to find an outcome that's good for now and good for later.

That's why, for many people, a Charitable Remainder Trust provides a smart solution. It can provide a framework to help you steward your assets now and make a plan to be joyful in giving later.

BENEFITS OF CHARITABLE REMAINDER TRUSTS

- **LIFE INCOME.** Make a gift that also provides ongoing payments for you and your loved ones.
- **TAX DEDUCTION.** Receive an immediate income tax deduction for a portion of your gift.
- **PRESERVED VALUE.** Give appreciated assets, instead of selling them, and avoid the immediate tax bill. The full value of your gift will be invested to benefit your family and make a lasting impact for children and families.
- **PAYMENT OPTIONS.** Select your annual payout rate and frequency of payments.

Charitable remainder trusts

HOW IT WORKS

- Make a gift into a charitable trust. Contributions may include cash, publicly traded securities, some types of closely held stock, real estate, and certain other complex assets.
- Receive ongoing payments for one or more individuals, including yourself.
- Remaining assets are distributed to your favorite charities upon termination of the trust.

LIFETIME INCOME OPTIONS

You will select your annual payout rate at the time you create the trust. The minimum percentage must be at least 5%, and the maximum allowable percentage depends on your age or the term of the trust.

CHOOSE FROM TWO PAYOUT OPTIONS

With a **charitable remainder unitrust (CRUT)**, you'll receive variable payments based on a fixed percentage of the value of the assets in the trust, as computed on January 1 of each year.

A **charitable remainder annuity trust (CRAT)** provides fixed, annual payments based on a specified percentage of the value of the assets originally placed in the trust. Payment amount does not vary, even if the value of the assets in the trust increases or decreases.

Charitable remainder trust vs. sale of appreciated asset:

EXAMPLE COMPARISON

Sam, 70 years old, owns a parcel of land that he originally purchased for \$50,000 (tax cost basis). It is now worth \$250,000.

In addition to increased income, Sam receives tax savings in the year he made the gift from the charitable deduction. If the entire deduction cannot be used in year one, he can use the deduction for up to five additional tax years.

PROCEEDS FROM SALE OF ASSET

Sale	\$250,000
Cost basis	\$50,000
Capital gain tax*	- \$30,000
Net proceeds	\$220,000

Annual payments in year one \$11,000
Assuming 5% return

*Assumes 15% capital gain tax rate

CHARITABLE REMAINDER UNITRUST

Gift	\$250,000
Charitable deduction**	\$131,195
Capital gain tax	\$0
Net proceeds in CRT	\$250,000

Annual payments in year one \$12,500
Assuming 5% payout and 5% return

**Assumes AFR 3.0% (March 2018)



FIND MORE INFORMATION AND RESOURCES AT
[Bethany.org/Legacy](https://bethany.org/Legacy)

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This information is not intended as financial or legal advice. Always consult with a professionally licensed tax advisor or estate attorney before making decisions.