



Wholehan Marketing

Professional Insurance Brokerage Agency

Charitable Remainder Annuity Trust

In a charitable remainder annuity trust the donor(s) makes a contribution to the trust and receives income at least annually for a term of years (not to exceed 20 years) or for the life of the donor(s). Upon the death of the donor(s), or the expiration of the term of years, the trustee distributes the remaining trust property to a qualified charity chosen by the donor(s). In a CRAT, the income payments are determined at the time of the contribution and are a fixed amount based on a percentage of the total value of the contribution. Only one contribution is allowed to a CRAT.

EXAMPLE: \$1,000,000 contribution, 7% annuity = \$70,000 fixed annual income

Advantages

- > The donor receives a current year income tax deduction equal to the actuarial value of the remainder interest that will pass to the qualified charity.
- > Provides an income stream to the donor
- > Professional management of trust property
- > Removes donated property from the donor's gross estate for estate tax purposes
- > A private foundation is an acceptable remainder beneficiary
- > Donor can avoid or delay capital gains tax due to favorable IRS treatment of income distributions
- > Assets held inside the CRAT are not subject to claims by donor's creditors (as long as contribution was not a fraudulent transfer)

Disadvantages

- > The costs of establishing and administering a CRAT may be higher than other planned giving alternatives such as a gift annuity.
- > CRATs must comply with complex rules such as rules against self-dealing, unrelated business taxable income (UBTI), excess business holdings and jeopardy investments.