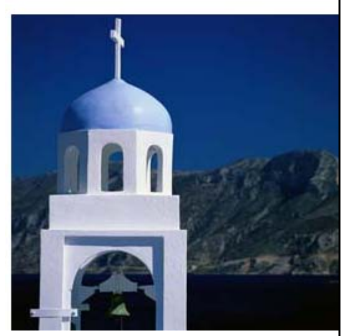
Taxation
Charitable Remainder Trusts



Definition

A Charitable Remainder Trust normally is used as a strategy for converting highly appreciated assets into income producing assets, without income tax liability. The Charitable Remainder Trust is an irrevocable trust with both charitable and non-charitable beneficiaries.

The donor transfers highly appreciated assets into the trust and retains an income interest. Upon expiration of the income interest, the remainder in the trust passes to a qualified charity of the donor's choice. If properly structured, the CRT permits the donor to receive income, estate, and/or gift tax advantages. These advantages often provide for a much greater income stream to the income beneficiary than would be available outside the trust.

Unitrust vs. Annuity Trust

There are two types of CRT the Unitrust and the Annuity Trust. The main difference between the two is the way your annual income, paid to you by the trust, is calculated.

Under the provisions of a Unitrust, the annual payment to you must be a fixed percentage of the market value of a trust's assets as determined each year or, alternatively, the lesser of 5 percent of such value or the trust's income. You can see that there are no guarantees of the specific amount you will receive. Your payments will depend upon the changing values of the trust property or income from year to year.

Using an Annuity trust, the trust specifies an annual amount to be paid to you. This guarantees that you will receive a specific amount which you can depend upon every year[1].

Charitable Remainder Trust Potential Benefits

- Eliminate Capital Gains Tax
- Tax deductible transfers to trust
- Trust income can be significantly greater than income generated outside trust
- You choose duration of income from trust
- Increased retirement income
- Eliminate estate tax on trust assets
- Preserve estate for family & heirs through survivorship policy funded with added income
- Provide charitable bequests to the causes of your choice

Those Who Would Benefit Most From a CRT May Have Some of the Following Characteristics

- Own highly appreciated assets
- Would like to reposition such assets
- Are in a high income tax bracket
- Are subject to estate tax at death
- Have philanthropic desires

Note: When considering the use of charitable trusts it is important to consult your financial, tax, and legal advisers regarding your specific situation. Tax laws are subject to change.

[1]*Guarantees are based on the claims-paying abilities of the underlying insurance companies.*