



How to Turn a Donation Into a Paycheck for Life

The Charitable Remainder Annuity Trust

Imagine investing your hard-earned money for a decent gain without having to worry about risk. Impossible? Not if you're the charitable sort.

The charitable remainder annuity trust is specially designed to satisfy your need for financial security while supporting a cause you care about down the road. Here's the payoff:

1. You receive a fixed income for life.
2. You avoid up-front capital gains tax on any appreciated securities used to fund the trust.
3. You benefit from a sizable federal income tax charitable deduction in the year you set up and fund your trust.
4. You have the potential to increase the income you may be receiving from current investments.
5. You may even choose to free yourself from further investment responsibilities.



Sound interesting? Here's how it works.

Hassle-Free, Secure Income

The charitable remainder annuity trust is a deferred gift that lets you commit a substantial amount to support the mission of your choice later while securing income now. You donate assets to this trust and receive a fixed dollar amount each year for the rest of your life.

You decide at the outset the amount you wish to receive from your contribution, perhaps far more than the yield from your current investments. And, if you wish, your spouse or other individuals can receive the same income after your lifetime. Ultimately, the remaining balance in the trust (the "charitable remainder"), after the lifetimes of those you choose, will be distributed to your chosen charity.

Selecting Your Income

You determine how much income you want to receive from the trust, but it must be at least 5 percent. Usually the percentage is 5 percent to 7 percent. The best rate for you will depend on the number of beneficiaries you select and their ages. Payments generally will be taxable to you depending on what type of income your trust earned during the year. Your trustee will tell you what to report, so you don't have to figure this out yourself.

How to Set Up a Trust

- Meet with an estate planning attorney.
- Determine how much to donate.
- Designate income beneficiaries.
- Name the charitable remainder beneficiary.
- Determine the payout rate and frequency of payments.
- Name a trustee of your choosing (perhaps yourself or a professional trustee).
- Give cash or securities (or both) to the trustee (usually for reinvestment).

Betty's Story

Betty is 82 years old. She purchased stock several years ago for \$60,000 that is now worth \$100,000. She's pleased with the way her stock has steadily increased in value, but she would like to receive more income than the 2 percent to 3 percent dividends the stock currently pays.

Problem: If Betty were to sell the stock to reinvest for more income, she would be required to pay a capital gains tax on the \$40,000 appreciation in value, an amount that totals \$6,000 in taxes at a capital gains rate of 15 percent. This would leave her with only \$94,000 to reinvest after she paid the taxes.

Solution: Betty decides to give the \$100,000 in stock to a charitable remainder annuity trust. She elects a 7 percent payout, which means she will receive \$7,000 a year for life. She likes the idea that this payout won't change, regardless of the yield or the value of the charitable trust's investments. Plus, Betty is entitled to a charitable income tax deduction of \$54,431.*

Betty couldn't be happier: She found a way to nearly triple her income, she benefited from all sorts of tax advantages and, best of all, she supported her favorite charitable organization.

For more information, simply call us or visit with your estate planning attorney today. We will be glad to arrange a projection based on your needs.

*Based on quarterly payments and a 2.4 percent charitable midterm federal rate, which varies monthly

Review the Benefits

1. You receive a fixed income for life.
2. You get an income tax charitable deduction and avoid immediate capital gains tax.
3. You have the potential to increase income from a low-yield holding.
4. You may choose to free yourself from further investment responsibilities.

trustee

the person named in a trust to manage trust investments for your beneficiaries



beneficiary

an individual or organization designated to receive benefits or funds under a will or other contract, such as an insurance policy, trust or retirement plan



an attorney. Figures cited in examples are for hypothetical purposes only and are subject to change. References to estate and income tax include federal taxes only. Individual state taxes and/or state law may impact your results.

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