HIGHTOWER
Clarity Point Financial Partners

Charitable Remainder Trust

For many investors, legacy preservation, wealth transfer and philanthropic giving are key objectives of their long-term financial plans.

If you're seeking to maximize your contributions to charitable organizations and help minimize income and estate taxes, a Charitable Remainder Trust (CRT) can help support these goals. While the types and structures of CRTs vary, they are often implemented in support of estate planning, tax planning and philanthropic giving strategies.

A **Charitable Remainder Trust (CRT)** is a tax-exempt, irrevocable trust that can provide a fixed income stream to you and/or your beneficiaries over a fixed term or lifetime, with the remaining assets then distributed to a qualified charity or charities of your choice.

Benefits

- Provides a regular payment stream to the donor and/or donor's family for a set period of time or for life
- Helps maximize charitable giving
- Offers potential income tax deduction and estate tax minimization
- Offers a tax-efficient way to diversify concentrated stock or other highly-appreciated assets
- Life insurance purchased with CRT income payments can supplement your heirs' inheritance, possibly replacing the trust assets

Important Considerations

Several key factors impact and influence the structure and outcomes of CRTs, including:

- Term of the trust/grantor life expectancy
- Annual capital appreciation
- Annual trust income rate or payment
- Income tax/income tax deductions

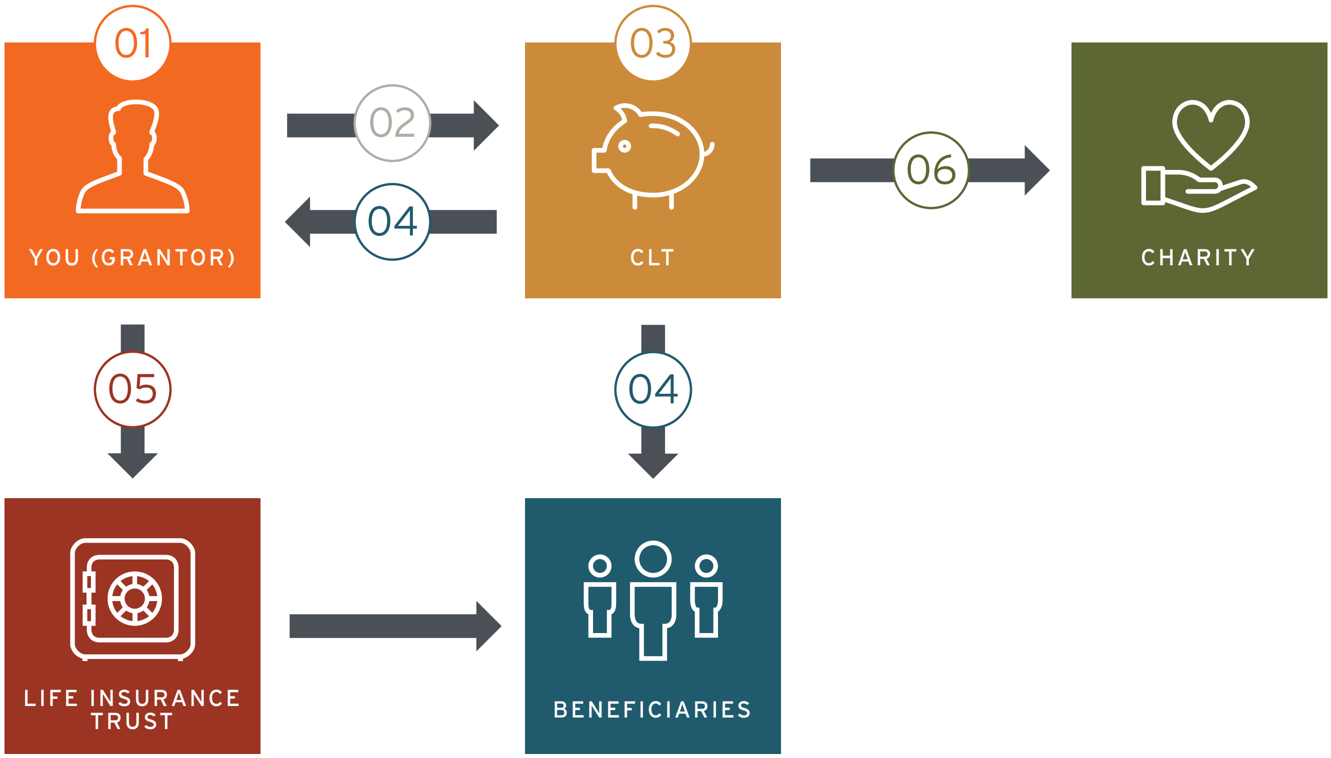
Example:

Joe has $1,000,000 of concentrated stock with a basis of $200,000. Rather than selling the position all at once and realizing $800,000 in capital gains — or carrying the risk of a concentrated position over multiple years and selling gradually —Joe decides to gift the stock into a 10-year Charitable Remainder Trust. He gets an immediate income tax deduction of a significant portion of this position. Then the trust can diversify the concentrated stock (likely with no capital gains tax owed) into income-producing investments to pay Joe a set income for the next 10 years. Joe can take a portion of that income and purchase life insurance in an irrevocable life insurance trust (ILIT) to replace the $1,000,000 he contributed to the Charitable Remainder Trust. At the end of the 10 years, the charity retains the trust assets, but Joe has collected income during that time, removed the $1,000,000 and its growth from his taxable estate[1], and provided his children with an estate[1] and incometax-free inheritance via life insurance.

As stated above, there are multiple types and structures available for Charitable Remainder Trusts. Clients should consult their financial, tax and legal advisors to determine what type might be appropriate for their particular situation and goals.

[1] Subject to Federal Estate Tax rules that may be in place at inception of the trust or the death of the grantor

How Does It Work?



01

Determine your financial and/or estate goals.

02

Structure, establish and fund a Charitable Remainder Trust with desired assets. Donor may then receive a tax deduction for the contribution based on an IRS formula.

03

Select a qualified charity or multiple charities to be the ultimate beneficiary(ies) of the trust. The trust can sell those assets without a tax event to provide income to the donor.

04

Regular payments (set amount or percentage of trust assets) are made to you or your beneficiaries.

05

Some of this income payment can be gifted into an irrevocable life insurance trust (outside of taxable estate[1]) to replace CRT assets and to supplement your heirs' net inheritance

06

Trust term ends; remaining CRT assets are allocated to your named charity or charities.

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