What is a Charitable Remainder Trust?

This is a trust that provides you or your named beneficiary with a lifetime of income and financial security. You also make a charitable gift of the remaining principal to one or more of the Moravian causes you care about at the end of the trust term.

With a Charitable Remainder Trust (CRT), you transfer cash, appreciated assets, or other property to a special trust that is invested to generate income for you or other beneficiaries.

For more information about giving, contact:

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This information is not intended as tax, legal or financial advice. Gift results may vary. Consult your personal financial advisor for information specific to your situation.

Moravian Ministries FOUNDATION

Moving ministries forward, ***together.***

119 Brookstown Avenue, Suite 305
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Giving
Charitable Remainder Trusts

The Moravian Ministries Foundation helps Moravian individuals, churches, and agencies grow and sustain the ministries that are central to their faith.

We do this through gift planning, stewardship development, and investment management.

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mmfa.info

Benefits of a CRT

- Receive income or a set percentage for a term of years or over life
- Potential to increase your retirement income and financial security with growth in the trust
- Bypass the immediate capital gains and resulting taxes on the sale of the gift of an appreciated asset
- Qualify for a charitable income tax deduction
- Make a significant future legacy gift to your favorite Moravian ministry or ministries

The trust will sell the donated assets tax free and reinvest the funds in a diversified portfolio.

You can avoid the immediate capital gains tax on the sale of your appreciated assets (i.e. stock and real estate) by transferring these assets to a CRT prior to sale. The trust will sell your assets tax free and reinvest the funds.

When you create a CRT during your lifetime, you will be eligible to receive a charitable income tax deduction for the present value of the remainder portion of your gift to charity. If you establish a CRT as part of your estate plan, your estate may benefit from estate tax savings after you enter the more immediate presence of the Lord.

Charitable Remainder Trusts are irrevocable. This means the funding assets cannot be returned to the donor after they are transferred to the trust. You can, however, retain certain rights through the trust document.

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Two Types of CRTs

Charitable Remainder Annuity Trusts (CRATs or annuity trust) or Charitable Remainder Unitrusts (CRUTs or unitrust)

Both kinds of trusts require a minimum trust payout of 5%. The CRAT and the CRUT differ, however, as to the payout amounts to the income beneficiaries. An annuity trust pays a fixed amount each year based on the date the trust is funded. The unitrust payout amount varies from year to year and is based on a fixed percentage of the trust assets each year. With the unitrust, if the trust grows in value over time, the amount of your payments will grow.

Once a unitrust is established, additional contributions can be made to the trust. For example, a unitrust may be established during life with a gift of stock and then further funded through your estate or at different times during your lifetime. Additional contributions cannot be made to an annuity trust.

Unitrust Options

Another difference between a charitable remainder unitrust and an annuity trust is the different unitrust payout options. All annuity trusts make a fixed payment every year. There are, however, four types of unitrusts:

1. Standard: A standard unitrust pays a fixed percentage of the trust assets valued each year.
2. Net Income Plus Make-Up (NIMCRUT): A NIMCRUT pays the lesser of the unitrust's payout percentage or the trust's income earned during the year. If there is a deficit in any year, income in future years in excess of the selected payout percentage may be paid as "make-up" income.
3. Net Income Only: This trust pays out the trust's income, and there is no option for making up deficits.
4. Flip Unitrust: This trust begins as a net income only or a net income plus make-up trust, but has the ability to convert to a standard trust upon the occurrence of a triggering event (i.e. a fixed date, sale of property, birth, death, etc.).

Tax Consequences

Income Taxation: If set up during life, a CRT can provide a charitable income tax deduction equal to the present value of the remainder interest passing to your designated beneficiary.

1. Gift Taxation: If you set up a trust for someone else, there may be a taxable gift. However, there will be no immediate gift tax consequences if you retain a testamentary power of revocation over the individual's income interest or if the gift is passing to a spouse, which will qualify for the unlimited marital deduction.
2. Estate Taxation: If you set up a trust for someone else and retain a testamentary power to revoke their interest, then the present value of that interest is included in your gross estate for estate tax purposes once you have entered into the more immediate presence of our Lord.
3. Generation-Skipping Transfer Tax: If payouts are made to a skip generation, such as grandchildren, then there may be generation-skipping transfer tax due.
4. Payments from a CRT to the beneficiaries are taxed according to a tier system based on the nature of the actual distributions (Income is taxed first followed by short-term capital gains and long-term capital gains. The following two tiers are tax free: tax free income (muni-bonds) and return of capital (principal distributions).