



Charitable Remainder Trust (Also known as CRT's)

A Charitable Remainder Trust is a trust that provides for a specified distribution, at least annually, to one or more beneficiaries, at least one of which is *not* a charity. The distribution must be paid at least annually for life or for a term of years, with an irrevocable remainder interest to be held for the benefit of one or more qualified charities, such as Marklund. The specified distribution must be either a sum amount, which is not less than 5% and not more than 50% of the initial net fair market value of all property placed in the trust (a Charitable Remainder Annuity Trust), or a fixed percentage, which is not less than 5% and not more than 50% of the net fair market value of the trust assets, valued annually (a Charitable Remainder Unitrust).

Requirement of a Charitable Remainder Annuity Trust or Unitrust

Anyone who wishes to create a CRT must choose between the **annuity trust** and **unitrust** formats. No blending of the two types is allowed. The principle difference between the two is the way in which income distributions are determined.

Charitable Remainder Annuity Trust

A **Charitable Remainder Annuity Trust** is a trust from which a **fixed amount**, not less than 5 % of the initial fair market value of all property placed in trust, is to be paid, no less than annually, to one or more beneficiaries, of which one is *not* a charity.

The annuity amount may be stated as a fixed percentage of the initial net fair market value, or it may be stated as a fixed amount. The annuity percentage or amount cannot be changed regardless of fluctuations in portfolio value. For this reason, additional contributions to annuity trust are prohibited.

Annuity payments are fixed regardless of the trust's fair market value. Annuity payments are NOT guaranteed, however. If the trust's asset value falls to zero, the annuity payments cease.

Example of Annuity Trust Income:

Payout rate		7%		
Yr.	Earnings Rate	Trust Value	Trust Value	Annuity Amount
1	8%	\$1,000,000	\$1,000,000	\$ 70,000
2	6%	\$1,010,000	\$1,010,000	\$ 70,000
3	10%	\$1,000,600	\$1,000,600	\$ 70,000
4	8%	\$1,030,660	\$1,030,660	\$ 70,000

5	4%	\$1,043,113	\$ 70,000
6	12%	\$1,014,837	\$ 70,000
7	6%	\$1,066,618	\$ 70,000
8	7%	\$1,060,615	\$ 70,000
9	3%	\$1,064,858	\$ 70,000
10		\$1,026,804	\$ 70,000

Charitable Remainder Unitrust

A **Charitable Remainder Unitrust** is a trust from which a **fixed percentage**, not less than 5 percent of the net fair market value of its assets, *valued annually*, is to be paid, no less than annually, to one or more beneficiaries, of which one is *not* a charity, and, in the case of individuals, only to an individual who is living at the time of the creation of the trust. The term of the trust cannot exceed 20 years, or the life or lives of the individual beneficiaries.

Unlike the charitable remainder annuity trust, additional contributions to unitrusts are permitted.

Example of Unitrust Income:

Payout rate		7%		
	Yr.	Earnings Rate	Trust Value	Unitrust Amount
	1	8%	\$1,000,000	\$ 70,000
	2	6%	\$1,010,000	\$ 70,700
	3	10%	\$ 999,900	\$ 69,993
	4	8%	\$1,029,897	\$ 72,093
	5	4%	\$1,040,196	\$ 72,814
	6	12%	\$1,008,990	\$ 70,629
	7	6%	\$1,059,440	\$ 74,161
	8	7%	\$1,048,845	\$ 73,419
	9	3%	\$1,048,845	\$ 73,419
	10		\$1,006,891	\$ 70,482

Questions?

Contact Heather Graves, Chief Development Officer at 630-593-5479 or hgraves@marklund.org

Or...

Contact your attorney or financial planner for more details!