



CHARITABLE REMAINDER UNITRUST

How You Benefit

- Preserves the value of appreciated assets
- Creates income
- Avoids capital gains taxes
- Reduces gift and estate taxes

A charitable trust (CRT) allows you to set assets aside for Colorado College while receiving an income stream for yourself and/or family members. There are two different types of charitable trusts: charitable remainder trusts (CRT) and charitable lead trusts (CLT). These types of trusts “split” the assets between a charitable and non-charitable beneficiary. The type of trust you choose depends on your priorities with respect to estate planning, and how you want CC and your family to receive the gift.

Charitable Remainder Trust (CRT)

A CRT lets you convert a highly appreciated asset like stock or real estate into lifetime income. It reduces your income taxes now and estate taxes when you die. You pay no capital gains tax when the asset is sold. Of course, you can always sell the property instead of funding a trust, but the taxes you would have to pay mean less income for you. A CRT preserves the value of your asset because it avoids capital gains taxes. When you pass away, the remainder of the trust assets go to Colorado College.

Here’s how it works: When you transfer an appreciated asset into an irrevocable CRT, it is removed from your estate, so no estate taxes will be due on it when you pass away. You also receive an immediate charitable income tax deduction. The property can be sold within the trust, which avoids all capital gains. The now liquid assets are re-invested to produce income for you for life at a fixed payout rate. Depending on the type of CRT that you choose, the value may fluctuate over time. The two types of CRTs are briefly described below:

Charitable Reminder Annuity Trust (CRAT)

When you establish a CRAT, you and the trustee agree to the amount of the annual payment to you and/or other beneficiaries. This amount does not fluctuate as it does for the CRUT. This type of trust may appeal to older beneficiaries who appreciate knowing exactly how much they will receive each year and are not as concerned about the effects of inflation over time. Charitable Reminder Annuity Trust (CRAT)

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Charitable Lead Trust (CLT)

Families utilize the CLT to pass along assets to the next generations at a minimal gift/estate tax cost. They are funded with at least \$250,000, and in most cases, more than \$1,000,000. A CLT is created during life, or at death, and distributes a leading interest to charity instead of the remainder interest. It can be best explained as a mirror image to the Charitable Remainder Trust. It is created by transferring cash, marketable securities, or income-producing property to a trustee. The trustee may be one or more individuals, a bank, charity, or a combination of these. The donor designates the charity as the beneficiary of income for a specified period of years, or for a period measured by a person's lifetime; thereafter, the asset is transferred to a family member, such as the children or grandchildren with greatly reduced or no gift/estate taxes due.

For a personalized illustration on how a Charitable Trust can benefit you, please contact the Office Gift Planning.