

DEFINITION

A Charitable Remainder Trust (CRT) lets you convert a highly appreciated asset into a lifetime income without having to pay capital gains tax and/or recapture tax (if depreciation has been taken on the asset). Estate taxes are avoided and you receive a partial income tax deduction. The remainder is designated to the charity of your choosing.

THE PROCESS

- 1) A Trust document is prepared and the asset is transferred into the Trust. This removes the asset from the estate.
- 2) MB Foundation, as trustee, sells the asset, paying no capital gains and/or recapture tax, and reinvests in income-producing assets
- 3) The Trust pays you an income for a term of years or your lifetime, per your choice.
- 4) Upon your decease or the term of years (if that is your choice) the Trust assets would be distributed to the ministry(ies) of your choosing. A Donor Advised Memorandum would be filed with MB Foundation as to your recommendation regarding charities you wish to benefit.

THE PROPERTY

Appreciated assets (i.e., publicly traded securities or real estate including rental properties) are considered the best asset to gift into a CRT since all capital gains and/or recapture tax would be bypassed, and a partial income tax deduction is available based upon the full market value of the asset. Recently, several CRTs have been funded with commodities or machinery. Cash may also be used. Mortgaged real estate may not qualify unless the loan can be paid off prior to the gift transfer.

ADVANTAGES OF A CRT

- Convert appreciated assets into lifetime income and bypass capital gains and/or recapture tax.
- Reduce or eliminate estate taxes.
- Reduce current income tax with a charitable income tax deduction.
- Receive more income over lifetime than if you had sold the asset yourself.
- Benefit one or more charities.

WHAT HAPPENS TO THE PROCEEDS FROM THE SALE?

MB Foundation invests the funds in income-producing assets in order to pay you an income and provide a generous gift (remainder interest) to the selected charities.

WHAT ARE MY INCOME CHOICES?

- You may receive an income based upon a fixed percentage of the trust assets. With this option, the amount of your annual income will fluctuate, depending upon investment performance, and the annual value of the Trust. This kind of Trust is called a Charitable Remainder Unitrust.
- Or, you can elect instead to receive a fixed income, which means that, regardless of the Trust's performance, your income will not change. This is called a Charitable Remainder Annuity Trust.
- The minimum annual income percentage that can be selected is 5%.

CAN I DO SOMETHING TO BENEFIT MY CHILDREN?

Yes, you can. You can make the income stream available to family for a term of years, after which the principal is then distributed to the selected charitable causes. This allows you to "Give It Twice". This is usually most applicable to medium sized estates. Gift taxes could be a factor to consider if the estate is large.

PROFESSIONAL ASSISTANCE

The staff of MB Foundation is experienced and qualified to assist you in establishing a Charitable Remainder Trust. Our Foundation is also available and qualified to serve as Trustee of the Trust. We're prepared to provide you with examples of how a CRT would work for you.