

Charitable Remainder Trusts

A charitable remainder trust provides income for the donor and/or others, as well as a gift to charity. The income from this irrevocable trust continues for the lifetimes of the beneficiaries, for a fixed term-up to twenty years or for a combination of the two. Income payments must be set between 5% and 50% of the trust's initial value. A formal trust agreement, meeting IRS requirements, is necessary to enjoy the tax benefits.

The donor may elect to be the trustee or choose an individual or corporate entity to serve as trustee. With approval from its Gift Acceptance Committee, Aurora Health Care Foundation may serve as trustee, provided that the trust principal is at least \$100,000 and an Aurora hospital or program is at least a 50% irrevocable remainder beneficiary.

There are two main types of charitable remainder trusts. A **Charitable Remainder Annuity Trust (CRAT)** pays the same dollar amount regardless of fluctuations in the value of the trust. Each year, the trustee distributes a fixed dollar amount to the chosen beneficiaries. In contrast, a **Charitable Remainder Unitrust (CRUT)** pays varying amounts based on a fixed percentage of the fair market value of the trust assets, as valued annually. There are several variations of CRUTs. For example, a CRUT can be structured so that payments to income beneficiaries do not start until a designated event, like the sale of real estate that is in the trust. Also, you can add assets to a CRUT, a feature not available with CRATs.

Tax considerations

With either a CRAT or a CRUT, the trust does not incur capital-gains taxes upon transfer of appreciated property to the trust or upon the trustee's sale of the property. The federal income-tax deduction available to the donor is the present value of the charitable remainder interest. The IRS requires that this amount be at least 10% of the initial trust value. While the trust itself is tax-exempt, the income beneficiaries are taxed.

For more information:

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***Note:** This information is intended to be for educational purposes and should not be considered legal, tax or accounting advice. You should consult with your professional advisors for applicability to your own situation.*