

# Holy Cross

## Charitable Remainder Trust

A charitable remainder unitrust (CRT) is a life income gift option that allows you to increase your income, save taxes and benefit College of the Holy Cross.



A CRT is a separately invested and managed charitable trust that pays a percentage of its principal to you and/or other income beneficiaries you name for life or a term of years (up to a maximum of 20). You receive a charitable income tax deduction for a portion of the value of the assets you place in the trust. After the trust terminates, the balance is transferred to Holy Cross and other charities listed to be used as you designate. If Holy Cross manages the CRT, the College needs to be at least 50% remainder beneficiary, preferably with a minimum residuum gift to the College of at least \$100,000.

### HOW DOES IT WORK?

- You transfer an appreciated asset, like securities or real estate, into an irrevocable trust.
- The trustee sells the asset at full market value, paying no capital gains tax, and re-invests the proceeds in income-producing assets.
- For the rest of your life (or a set period of years), the trust pays you an income.
- When you die, the remaining trust assets go to Holy Cross.

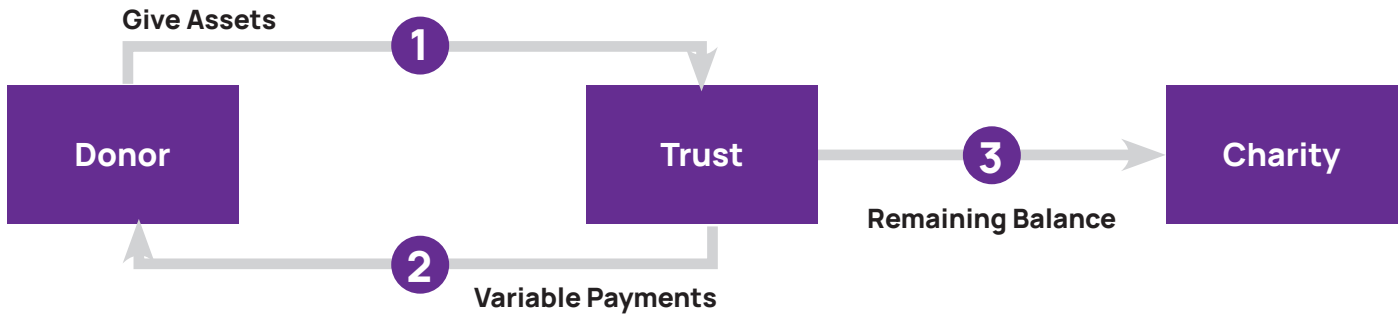
### WHAT ARE THE BENEFITS?

- A CRT offers you maximum flexibility for the gift, including choosing your payment percentage (5%-6% is typical), the person or entity who administers your gift and guides its investments, and the trustee (which could be Holy Cross).
- A CRT has the potential to reduce your income taxes now and estate taxes when you die.
- You pay no capital gains tax when the asset used to fund the CRT is sold.
- This gift option allows you to retain or increase your income and make a significant impact at Holy Cross in the future.

The best assets to fund a CRT are those that have greatly appreciated in value since you purchased them, specifically publicly traded securities, real estate and stock in some closely-held corporations.

# Holy Cross

The charitable remainder unitrust (CRUT) will be re-valued at the beginning of each year to determine the dollar amount of income you will receive. If you prefer to receive a fixed income, regardless of the trust's performance, a charitable remainder annuity trust (CRAT) might be the right option for you.



## TYPES OF CHARITABLE REMAINDER UNITRUSTS (CRUTS)

There are three types of unitrusts: a standard unitrust, a net income unitrust, and a combination or “flip” unitrust. The income from each trust will vary from year to year, and the right choice for you will depend on your goals.

**Standard unitrusts** provide an income that is based on a fixed percentage of the trust's assets, which is determined at the time the trust is created. (The unitrust percentage must be at least 5 percent and is multiplied by the fair market value of the trust assets at the beginning of each year to determine the annual payout to the income beneficiaries.) A standard unitrust provides the most flexible investment options and is usually invested for a total maximum return.

**Net income unitrusts** provide annual payments in the lesser of two amounts: 1) the fixed percentage of the trust's annual value, as described above, or 2) the net income of the trust. This may be the best choice for younger donors who are not seeking large payments immediately but want to build a fund for potentially higher payments in the future. A net income unitrust may initially be invested in assets that produce relatively low interest or dividend income. When income beneficiaries are ready, the investments can be reallocated to produce a higher income.

**Flip unitrusts** are a good option when an illiquid, non-income producing asset, such as real estate or closely held stock, is being used to fund a CRUT. A flip trust begins operating as a net income unitrust, paying only any actual earnings (for example, rent from real estate) to the income beneficiaries. Then, at a date in the future (such as on the date that the real estate used to fund the CRUT is sold, or when you retire), the trust “flips” to become a standard unitrust.

With all three options, if you choose to designate Holy Cross to serve as trustee, the CRUT is managed by highly qualified investment professionals. After the CRUT terminates, the remaining principal will be distributed directly to Holy Cross and other named charities.