

QUESTIONS & ANSWERS ABOUT Charitable Remainder Trusts

How Can BSS Help With My CRT?

First, we can serve as an educator to you on the use of a CRT as part of your estate planning and as a facilitator in establishing and funding your CRT. The professionals at Believers Stewardship Services (“BSS”) are experienced in many aspects of estate planning, including the use of CRTs. Since we provide these services free of charge, you can also be sure that if we advise you a CRT is appropriate for your situation, we do so because we believe it, not because we stand to profit.

Second, we can serve as a convenient conduit for making your charitable gifts. If you name BSS the sole beneficiary of your CRT, we will ask you to provide us with written instructions as to which charities you want to receive the assets. Upon termination of the CRT, we will take possession of the assets and distribute them to the charity or charities you designated. This is more flexible because you can change your charitable beneficiaries any time simply by informing us in writing rather than formally amending the trust agreement, which incurs additional legal fees.

Like any other trust arrangement, a CRT must have a trustee. Your choices with a CRT are: (a) to serve as trustee yourself; or (b) to select another individual, a commercial trustee, or a nonprofit trustee organization to serve as trustee. Even if you choose to serve as trustee of your own CRT, you may wish to retain a third-party administrator to assist with the management, bookkeeping, and tax filing duties of the trustee. One of the services we offer is serving as trustee or administrator of CRT. Whether you wish to serve as your own trustee or select another trustee, we will be honored to assist you with your CRT or any other aspect of your estate planning.

income from the same asset by \$840 (resulting in \$21,840 additional income over the donor's lifetime). This example has not even taken into consideration any death tax savings if the estate is taxable. With a federal estate tax starting at 41% on the first taxable dollar, a CRT can also yield significant savings for this donor's estate.

What Assets Are Suitable?

Your CRT can be funded with cash, real estate, publicly traded securities, and closely-held stock or business interests. Mortgaged real estate generally will not qualify for a CRT transfer. The best assets are those that have appreciated significantly in value since you purchased them.

How Much Control Will I Have?

A CRT is an irrevocable trust. This means you cannot change its terms once it is signed, and you cannot take the assets out once they are transferred. You must be certain you understand the terms of the CRT and that those terms fit well with your overall estate plan.

You can retain two important items of control, however. You may reserve the right to change the trustee and to change the charities to receive the assets upon termination of the CRT. If you serve as your own trustee (which is permitted), then you also remain in control of where and how the assets in the CRT will be invested.

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What is a CRT?

A Charitable Remainder Trust (“CRT”) serves several purposes. A CRT is: (a) a tool to avoid or reduce capital gains, income, and death taxes; (b) a tax-free investment vehicle providing a stable income stream; (c) a method of generating more income from an asset versus selling it for reinvestment yourself and (d) a way of making an impact for God’s Kingdom while enjoying all of these benefits yourself.

More specifically, a CRT is an irrevocable trust that provides an annual payout to a noncharitable beneficiary (typically the donor or donors) for life or for a specified term of years. The benefit to charity is delayed with a CRT because of the interest reserved for the noncharitable beneficiary. Once the CRT ends, the charity or charities chosen by the donor will receive the remaining assets.

Are There Tax Advantages?

Absolutely! With a CRT, you may save on income, capital gains, and death taxes. First, the donor receives a charitable income tax deduction based upon the value of the interest that will pass to charity. Since there is an income stream for a noncharitable beneficiary, the value of the deduction is less than the full value of the property placed in the CRT. The value of the charitable deduction is computed based upon IRS guidelines.

Second, if you fund the CRT with an

appreciated capital asset *prior to the sale of that asset*, you can avoid all tax on any capital gain. You will then have 100% of the net proceeds to invest and generate the desired income stream, rather than the 75%-90% that would otherwise remain after taxes.

Finally, when the CRT ends and the trust assets pass to charity, no death taxes will be owed on the assets in the CRT. For taxable estates, this can yield significant savings.

How Much Income Will I Receive?

It depends on several factors. An annual payout rate is selected by you at the time you create the CRT. The minimum percentage selected must be at least 5%. The maximum allowable percentage depends on your age or the term of the trust, and other IRS guidelines. The annual payout can take one of two forms:

- **Annuity Payment.** *With an Annuity Trust, the noncharitable beneficiary receives a specified percentage each year of the value of the assets placed in the trust at its creation. No additional assets may be added to the trust, and the amount of the payout each year does not vary, even if the value of the trust assets increases or decreases.*
- **Unitrust Payment.** *With a Unitrust, the amount paid each year is a specified percentage of the value of the assets in the trust as computed on January 1st of that year. Assets may be added to the trust later, and the amount paid each year can vary, depending upon the value of the assets in the trust on the first day of each year.*