

Charitable Remainder Trust

Frequently Asked Questions

- If you wish to retain income or to provide an income for someone else, would like to have your gift individually managed and are interested in increasing your capacity to make a gift to Goshen, then a charitable remainder trust may be right for you. A charitable remainder trust is particularly attractive if you fund it with appreciated property because there will be no capital gains tax when you fund the trust or at the time the trustee sells the asset(s).
- [What is a charitable remainder trust and how can it benefit Goshen College?](#)
- [What is the difference between a charitable remainder unitrust \(CRUT\) and a charitable remainder annuity trust \(CRAT\)?](#)
- [Do I pay capital gains on gifts that I transfer to a charitable remainder trust?](#)
- [Can I claim a charitable deduction for the gifts I transfer to a charitable remainder trust?](#)
- [How much will I receive in annual payouts from a charitable remainder trust?](#)
- [Can I change my mind and later withdraw the funds I place into a charitable remainder trust?](#)
- [What is the minimum amount needed to establish a charitable trust?](#)

What is a charitable remainder trust and how can it benefit Goshen College?

A charitable remainder trust is a separately invested, irrevocable trust a donor creates by transferring assets to the trust, to be managed by a trustee. The donor designates a person or persons to receive annual payments from the trust (of at least 5% annum) for the rest of their lives or for a period of years, not to exceed 20. At the death of the last beneficiary or at the end of the term of years, the trust terminates and the named charity(ies), such as Goshen College, receive the remaining principal.

What is the difference between a charitable remainder unitrust (CRUT) and a charitable remainder annuity trust (CRAT)?

A charitable remainder unitrust pays out according to a set percentage of the value of the trust, determined each year, and an annuity trust pays exactly the same amount each year, even if the underlying trust changes in value. For that reason, a CRUT can be added to at any time and the CRAT cannot have additional gifts placed into it.

Do I pay capital gains on gifts that I transfer to a charitable remainder trust?

No. One of the strong advantages of charitable remainder trusts is that highly appreciated assets like real estate, stocks, bonds or mutual funds can be used to fund the trusts and capital gains taxes are never owed on the appreciation when the trust sells the assets. Just make sure the assets are given to the trust before they are sold!

Can I claim a charitable deduction for the gifts I transfer to a charitable remainder trust?

You would receive a deduction for a portion of the gifts. Since there are income beneficiaries who will be receiving income from the trust, the gifts are not fully deductible. The deduction is calculated based on the age of the income beneficiaries or the term of years during which payments are made, the percentage paid out each year if a unitrust, etc.

How much will I receive in annual payouts from a charitable remainder trust?

With an annuity trust, the annual payout is a set amount for the life of the trust, based on the age of the income beneficiaries. If you use a unitrust, the payments are based on an agreed upon rate when

the trust is signed, with the minimum payout rate of 5%. The payment is re-calculated every year, typically based on the value of the CRUT on December 31.

Can I change my mind and later withdraw the funds I place into a charitable remainder trust?

No. Once the funds are placed into the trust and you receive a partial tax deduction in the year of your gift, you cannot reverse the process and take the funds back. In other words, gifts placed into a charitable remainder trust are irrevocable.

What is the minimum amount needed to establish a charitable trust?

\$100,000