Charitable Remainder Trust (CRT)

Concept Applied:
A donor creates a CRT to provide (1) income to a named beneficiary(ies), and (2) a remainder interest to charity. The donor enjoys an income tax deduction for the present value of the anticipated remainder interest when the trust is funded.

How It Works:
The donor transfers property to the trust and designates a beneficiary or beneficiaries (the donor can be one) to receive annual income payments. The trust distributes the remainder to charity when the trust term ends.

CRATs:
- allow only one contribution
- pay out a fixed dollar amount or a fixed percentage of the trust’s initial value

CRUTs:
- allow multiple contributions;
- pay out a fixed percentage of the trust’s annually revalued assets
- can be funded with other assets such as real estate

Why Is It Useful?
A CRT is a flexible planning tool that lets donors convert assets to an income stream (often used to supplement retirement income) while making a gift to charity.