



The Jewish Federation  
OF GREATER WASHINGTON

United Jewish  
Endowment Fund

# Charitable Remainder Trust



Charitable Remainder Trust

Do you want to secure a stream of income for you or a loved one and leave a charitable legacy to benefit the Jewish community?

Do you want a fixed income based on the original value of the transferred assets? Consider a Charitable Remainder Annuity Trust (CRAT).

Or do you prefer the income as a percent of the trust's annual value? Consider a Charitable Remainder Unitrust (CRUT).

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## At A Glance

- May be set up during your lifetime or through your will
- Provides you or a loved one with income for life or a term of years; you determine if income is a fixed amount (annuity) or a percentage of the trust's annual value (unitrust) when you establish the trust
- Eliminates initial tax on capital gain for contributed appreciated property
- Provides a current income tax charitable deduction as well as potential estate tax benefits
- Enables you to create a permanent endowment and make a significant contribution to the Jewish community

**A Charitable Remainder Annuity Trust (CRAT)** avoids market and interest rate fluctuations and ensures that you or someone you designate receives a **fixed income** payment for life or a term of years.

**A Charitable Remainder Unitrust (CRUT)** provides income based on a **percent of the trust's annual value**. If trust assets grow, the increasing value of the trust portfolio will result in larger annual payments.

You may give cash, appreciated securities or real estate to set up the trust, either during your lifetime or through your estate plan. Donors often use appreciated property for the greatest tax benefits.

Your current income tax deduction is based on the expected value that the charity will receive when the trust terminates.

Donors selling a closely held business sometimes create a charitable remainder trust (CRAT or CRUT) to minimize taxes while achieving philanthropic goals.

You can designate which charity or charities are to receive the balance in the trust at the end of the trust term.

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If you decide to use appreciated assets to fund a CRAT or CRUT, no capital gains taxes are due when the securities are contributed. Instead, a portion of your annual trust income will be subject to capital gains tax.

## CRUT example

You contribute stock worth \$1,000,000, which cost you \$200,000, to a Charitable Remainder Unitrust, which then sells the stock and invests the proceeds. The trust is credited with the full value of the stock on the date of the gift, and neither you nor the trust is charged initially with tax on the capital gain. The trust provides

income for life at a unitrust rate of, for example 7%, providing you or a loved one with payments of \$70,000 in the first year ( $\$1,000,000 \times 7\%$ ). Thereafter, the value of the trust is measured annually and multiplied by the unitrust payout rate to establish the payment for the following year. If, for example, the trust assets had increased in value to \$1,500,000, the payment for the year would be \$105,000 ( $\$1,500,000 \times 7\%$ ).

Note: in periods of investment loss, the value of the trust may be reduced and the payments to the beneficiary will be lower.

The United Jewish Endowment Fund of the Jewish Federation of Greater Washington strives to help our community provide an enriched Jewish life today and a vibrant Jewish tomorrow. The Endowment Fund connects philanthropists with opportunities to meet Jewish needs and *tikkun olam*—repairing the world. Together, we strengthen and advance Jewish life in the Greater Washington area and around the world.

The United Jewish Endowment Fund of The Jewish Federation of Greater Washington

- Generates permanent funds to support the work of our Jewish Federation family of agencies and beyond to the Greater Washington community;
- Catalyzes diverse funding sources to leverage our ability to meet Jewish needs and effect change in the broader community;
- Awards seed money to new and innovative initiatives for enriching Jewish life and for *tikkun olam*; and
- Furnishes funds for unanticipated and emergency needs locally and overseas.

The United Jewish Endowment Fund's Legacy Society recognizes those individuals who create a permanent fund of at least \$10,000 to sustain the vitality and strength of our Jewish community. If you establish a fund of \$200,000 or more, you will become a member of the national Star of David Society of the Jewish Federations of North America.

*Contributions to the United Jewish Endowment Fund are tax deductible to the full extent the law allows.*

*This material is not intended to provide professional or legal advice. Please consult your advisors for professional advice.*

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