Charitable Remainder Trust

By establishing a charitable remainder trust (CRT) during your lifetime, you can donate assets to your favorite charity through a trust while you and/or your beneficiaries receive payments during your or their lifetime.

How a CRT Works

When you establish a CRT, you transfer ownership of assets, such as stock, to the trust. The trustee may sell the assets and reinvest the proceeds without having to recognize the gain in any appreciated assets at that time.

The trust then makes payments to you during your lifetime or for a specified number of years. You choose the amount you will receive, which must be at least 5% of the contributed assets' value.

When you die or on the completion of the trust's term, the trustee transfers the balance of the assets to your chosen charity, which also can be a private foundation or a donor-advised fund.

You can establish a CRT in one of two ways:

Example of a Charitable Remainder Trust

You	Trustee	You	Charity
Transfer $1 million in appreciated assets to a CRT	Sells the assets and reinvests the proceeds	Receive income from the trust	Receives the CRT balance at your death

- **Annuity trust –** Pays a fixed amount each year for life or a specified number of years, similar to an annuity from an insurance company. You can make only one contribution to the trust; once the annuity trust is established, you cannot add to it.
- **Unitrust –** Pays a fixed percentage of the trust's value, but the value is recalculated annually and based on the fair market value of the trust's assets. As a result, the annual payments will vary as the fixed percentage is applied to a fluctuating principal amount. This feature helps to hedge against inflation. And unlike the annuity trust, you can make additional contributions to a unitrust during the trust's term.

Should You Consider a CRT?

A CRT may be appropriate if you:

- Own highly appreciated assets
- Want to create another income source
- Can use a current income tax deduction
- Want to leave money to a charity
- Want to reduce estate taxes
- Want to reduce a large position of a stock in your portfolio

Benefits of a CRT

This type of trust lets you:

- Receive payments from the trust
- Receive tax benefits*
- Donate to your favorite charity

Incorporating a CRT into Your Overall Estate Plan

Gifting should be just one component of your overall estate plan. Before beginning a gifting program, evaluate your current estate plan and consider how gifting may benefit you, your estate, the charity and your beneficiaries. Because the rules regarding certain gifting strategies can be complex, speak with your tax or legal professional regarding your specific situation.

*Edward Jones, its employees and financial advisors are not estate planners and cannot provide tax or legal advice. You should consult your estate-planning attorney or qualified tax advisor regarding your situation.

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Donor-advised fund

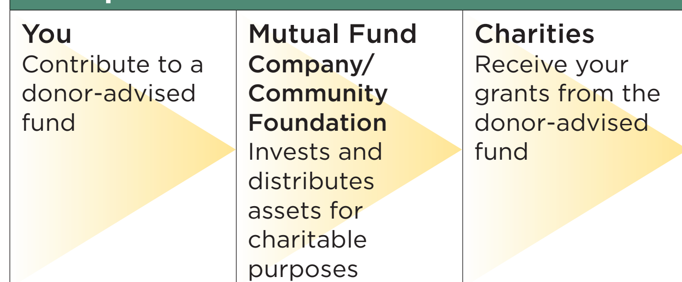
A donor-advised fund is a type of charitable gifting program that allows you to combine tax benefits and the flexibility to support your favorite charities. You may want to consider this gifting program as a first step in your philanthropic endeavors.

How a Donor-advised Fund Works

A donor-advised fund is a good alternative for smaller gifts that cannot withstand the costs often associated with setting up and administering a private foundation. Most donor-advised funds have an average minimum contribution of $10,000. A donor-advised fund lets you contribute assets (i.e., cash, stocks or bonds) to a charity. You can recommend how you want the assets distributed.

Because you take the maximum tax deduction at the time of the gift, the institution administering the fund gains full control over the contribution, and you no longer have direct control. However, typically the institution will work with you to ensure that your charitable intentions are carried out. The company or foundation invests your assets, and as they grow, you have more money to grant.

Example of a Donor-advised Fund



You	Mutual Fund Company/ Community Foundation	Charities
Contribute to a donor-advised fund	Invests and distributes assets for charitable purposes	Receive your grants from the donor-advised fund

Should You Consider a Donor-advised Fund?

A donor-advised fund may be appropriate if you want to:

- Leave a legacy in your name or your family's name
- Maintain a level of involvement in directing charitable contributions (through recommendations only)
- Make a current charitable contribution but distribute the funds over time

Benefits of a Donor-advised Fund

This type of gifting program lets you:

- Establish an enduring program for your family's charitable gifts
- Create a philanthropic legacy for yourself and your family
- Receive tax benefits*

Incorporating a Donor-advised Fund into Your Overall Estate Plan

Gifting should be just one component of your overall estate plan. Before beginning a gifting program, evaluate your current estate plan and consider how gifting may benefit you, your estate, the charities and your beneficiaries. Because the rules regarding certain gifting strategies can be complex, speak with your tax or legal professional regarding your specific situation.

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Donating your IRA distributions to a charity

Qualified charitable distributions (QCDs) have been permanently extended. Individuals can donate up to $100,000 per year directly from a traditional or Roth IRA to qualifying charities. This is attractive to some investors because QCDs can be used to satisfy required minimum distributions (RMDs) from an IRA without having the distribution included in their income.

Eligibility

A qualified charitable distribution may be made:

- When the IRA holder is age 70½ or over
- Directly from the IRA to a qualified charity
- From a traditional or Roth IRA

Qualified Charities

Generally, a qualified charity includes most public charities that are eligible to receive tax-deductible contributions – including religious institutions, certain veterans' organizations, fraternal societies and community foundations that provide scholarships.

Limitations on Distributions

Restrictions set on QCDs include the following:

- $100,000 maximum per person per year
- Distributions transferred to the charity no later than Dec. 31 of the current tax year
- Must be a direct IRA distribution from the IRA custodian or trustee to a qualified charity
- Not all charitable organizations qualify
- Applicable only for traditional and Roth IRA distributions (excludes SEP and SIMPLE IRAs)

Making a QCD provides an opportunity to make a charitable contribution that you might otherwise not have been able to make and/or receive potential tax benefits for charitable contributions that you are already making. You should consult your tax advisor and estate-planning attorney about your situation. Edward Jones, its financial advisors and employees do not provide tax or legal advice.

Key Benefits

- **For those who give larger gifts** – Deductibility limits do not apply to QCDs, which means the QCD can be made in addition to other charitable contributions that may be limited by the annual maximum deductible percentage of income or phase-outs of itemized deductions.
- **For those who don't itemize deductions** – If QCDs are used as the funding source for charitable donations, the donor will receive tax benefits when there otherwise would have been none due to the use of the standard deduction.
- **For those who pay taxes on a portion of their Social Security benefits** – Income for determining the taxation of Social Security benefits is lower than if the IRA holder had taken the RMD, potentially reducing this taxation.
- **For those whose income level subjects them to tax on Net Investment Income, or phase-out of personal exemptions or itemized deductions** – A QCD made in lieu of an RMD will result in lower Adjusted Gross Income for the IRA holder, which may lessen the effect of this tax or applicable phase-outs.

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