

Charitable Remainder Trust

Enjoy an Income Stream for Life.

Many of us have real estate that has become too costly to keep or that is no longer as useful as it once was. It could be that your children have moved out of the family home or you no longer use the vacation home at the lake.

While selling your property seems like an attractive idea, the fact that you have held the property for many years means it has likely appreciated and you may face high capital gains tax upon its sale. If you are attempting to sell your principal home, you may be able to exclude \$250,000 of the capital gains tax (\$500,000 for married couples), but in many states this will not be enough to prevent you from paying some tax.

Just as your property has served you all these years, it can serve you again when you introduce it to a new friend — the charitable remainder trust. The trust is a type of trust to which you may contribute all, or a portion of, your real estate and avoid capital gains tax upon the sale of the property. The trust can sell your property tax-free and then provide you and your spouse with income for life. You will receive an income tax deduction for a portion of the amount paid into the trust.

A Charitable Remainder Trust (CRT) tax-exempt irrevocable trust designed to reduce the taxable income of individuals by first dispersing income to the beneficiaries of the trust for a specified period of time and then donating the remainder of the trust to the designated charity.

Best of all, any remaining funds will go to help your favorite charity.

If you are contributing your personal residence, the first step is to move to another residence. It is not permissible to have a prearranged sale prior to establishing the trust. You may deed the entire property to the trust and allow the trust to sell it tax-free. If you choose to deed a portion of the property to the trust, you and the trust, as co-owners, will then sell the property and receive a pro rata share of the proceeds. Capital gains tax will be bypassed on the trust portion, but payable on your share. However, this will be offset by the tax savings from your



charitable deduction and your federal home exclusion.

The “charitable remainder trust and sale” is a great way to lower or eliminate capital gains tax, provide a lifetime stream of payments to you and help your favorite charitable cause. Your appreciated property can now be appreciated in a whole new way.

