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## The CRT - A Trust for All Seasons



Date: November 20, 2013  
 Time: 1:00 – 2:30 Eastern Time  
 Presenter: Frank Minton  
 Senior Advisor  
 PG Calc Incorporated



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## The Status of CRTs

- Rapid growth in the 1990s
- Fewer unitrusts in existence in 2012 than in 2002
- Annuity trusts in existence declined 35% since 2000.

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## Reasons for Decrease

- Decline in personal wealth during first decade of the century
- Reduced tax incentives
- Emphasis on current gifts and bequests

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## Factors Favoring a Revival

- Increase in stock and real estate values
- Improved tax incentives
- Larger demographic of those who create CRTs

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## Objective of this Webinar

Demonstrate that gift planners can close more CRTs by showing how they can benefit donors or beneficiaries in each season of life.

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## The Four Seasons of Life

Springtime of life — ages 1–39

Summer of life — ages 40-59

Autumn of life — ages 60-79

Winter of life — ages 80+

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**For everything there is a season.**

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**But for a charitable remainder trust there is no one season**



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**Applications of CRTs During the Springtime of Life**



*"The rose upon my balcony the morning air perfuming, was leafless all the winter time and pining for the spring."*

William Thackeray

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## Objective: Provide for a College Education



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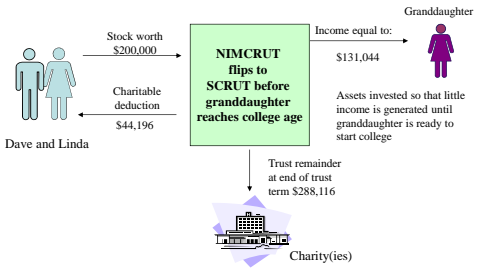
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## Case of David and Linda



Stock worth \$200,000 → NIMCRUT flips to SCRUT before granddaughter reaches college age

Charitable deduction \$44,196 ← Dave and Linda

Income equal to: \$131,044 → Granddaughter

Assets invested so that little income is generated until granddaughter is ready to start college

Trust remainder at end of trust term \$288,116 → Charity(ies)

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## CRT vs. College Annuity

- Amount of cash flow
- Taxation of payments
- Other considerations



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## Objective: Provide a Supplemental Retirement Plan

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## Case of Dr. and Mrs. Klein

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## What Happens When Trust Flips

- Accrued deficiency of \$474,360 disappears.
- Beginning on January 1 of following year beneficiaries receive 5% of trust assets as revalued annually.

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## Suppose Dr. Klein Desires a Retirement Plan with Greater Flexibility

### Solution

- Create a NIMCRUT that flips to a SCRUT when Dr. Klein reaches age 65
- Include a provision defining income to include realized capital gain.
- As before, make annual contributions.

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## Comparison of Retirement Options

- IRA/Qualified plans
- Taxable account
- Flip CRUT
- CGA

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## Objective: Help Cover Expenses of an Elderly Parent



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## Case of Sandra and Her Husband

Stocks \$200,000

Deduction \$110,018

Charitable Remainder Annuity Trust

\$13,000 per year

Sandra's Mother

Charity for an endowment named for Sandra's mother and father

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## Applications of CRTs During the Autumn of Life

"No spring, nor summer beauty hath such grace,  
As I have seen in one autumnal face."

John Donne

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## Objective: Sell a Family Business and Minimize Taxes

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## Case of John and Jane Green

### Scenario 1 C Corporation

- John and Jane contribute C stock to CRT.
- C Corporation could purchase stock in CRT.
- External buyer could purchase C stock or assets of C Corporation.
- Benefits

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## Case of John and Jane Green

### Scenario 2 S Corporation

- S Corporation contributes real estate owned by corporation for a term-certain CRT
- Income received by corporation, then paid to John and Jane
- Benefits

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## Case of John and Jane Green

### Scenario 3 LLC

- LLC interest contributed to CRT
- Income from LLC interest received by CRT and paid to John and Jane
- Benefits

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## Objective: Be Relieved of Management Responsibility and Receive Life Income



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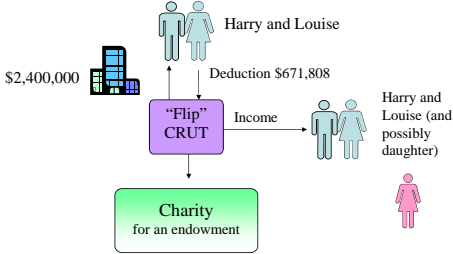
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## Case of Harry and Louise



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## Objective: Convert Tangible Personal Property to a Stream of Income



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## Case of Tim and Michelle

- In 2013, contribute painting appraised for \$250,000 to flip CRUT
- Painting sells for \$230,000 in 2014
- Deduction, based on cost basis, allowed in 2014
- Tax savings

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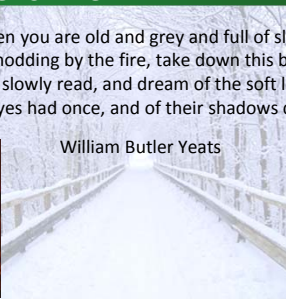
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## Applications of CRTs During the Winter of Life

"When you are old and grey and full of sleep,  
And nodding by the fire, take down this book,  
And slowly read, and dream of the soft look  
Your eyes had once, and of their shadows deep."

William Butler Yeats




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## Objective: Provide Predictable Cash Flow During the Later Stages of Life




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## Suggestions for Increasing the Number of CRTs

- Market them for different stages of life.
- Step-up marketing because of favorable factors.
- Show how CRTs can be funded with a variety of assets.
- Revise acceptance policies if necessary.
- Remove barriers.
- Be creative

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## The CRT A trust for all seasons of life



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## Questions and Answers



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## Still Have a Question?

**Contact:** Frank Minton, Senior Advisor  
PG Calc Incorporated

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