Charitable Remainder Trusts

Frequently Asked Questions

YOUR LEGACY

We invite you to continue the Legacy of Caring provided by John Muir Health by establishing your own Legacy of Giving through your charitable estate plans.

For more information on how to create a Legacy of Caring and Giving that is meaningful to you and your family, please contact the Office of Legacy Giving at 925-947-4449.

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What is a charitable remainder trust (CRT)?

A charitable remainder trust (CRT) is a trust that provides an income for the named beneficiary or beneficiaries (usually the donor is one) for a term of years or for a lifetime. When the trust term ends, the remaining trust assets go to the designated charity. At the time the trust is funded, the donor qualifies for a tax deduction for the present value of the remainder interest expected to go to charity.

What is the difference between the two types of CRTs?

The two types of CRTs are:

- The charitable remainder annuity trust (CRAT) and
- The charitable remainder unitrust (CRUT).

The primary difference between a CRAT and a CRUT is the form of the payout to the non-charitable beneficiaries. The CRAT distributes an annual fixed income that is a percentage of the value of the gifted assets at the time the trust is created and funded. The CRUT distributes an annual income that is a percentage of the trust assets as revalued every year (so the income payout can vary from year to year).

Another important difference is that a CRUT is much more flexible. While a CRAT comes in just one form, there are four types of CRUTs, each designed to accomplish various planning goals. Furthermore, you can make additional contributions to a CRUT but not to a CRAT.

Should I choose a CRAT or a CRUT?

That depends. Some people (often retirees) choose a CRAT because they prefer a fixed income. However, others (often working professionals) choose a CRUT because of its variable payout or because different types of CRUTs provide different options for retirement planning.

How much of an income can I expect?

You select a percentage of the initial trust assets (for a CRAT) or of the trust assets as revalued each year (for a CRUT). Either way, the percentage must fall between 5% and 50%. However, keep in mind that the value at the end of the trust term (the amount that goes to charity) must be at least 10% of the initial trust assets.

For example, Geoffrey creates a CRAT with stock worth $250,000. He chooses an annual payout rate of 5%. Every year, Geoffrey will receive $12,500 (5% of $250,000) for the rest of his life.*

What does it mean that a CRT is an irrevocable trust?

A revocable trust can be modified or terminated, but the terms of an irrevocable trust cannot be changed and the trust cannot be terminated prematurely. However, you may retain the right to change the charitable beneficiaries.

Why should I create a CRT?

A CRT lets you enjoy important personal benefits while fulfilling your philanthropic goals. It is a great way to:

- Make a gift while retaining an income
- Convert appreciated, low-yielding securities or property into a beneficial income stream
- Bypass potential capital gains taxation on appreciated property (the transfer of assets to a CRT does not trigger the capital gains tax)

* All examples are for illustrative purposes only.

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MISSION

John Muir Health is dedicated to improving the health of the communities we serve with quality and compassion.

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