

CHARITABLE REMAINDER TRUST

Gift Planning at the University of Virginia

The Charitable Remainder Trust: A Great Way to Give—and to Receive

A charitable remainder trust is a wonderful way simultaneously to make your gift to the University of Virginia and create a reliable income stream for you and the beneficiaries you select.

How Does It Work?

A charitable remainder trust (CRT) can be funded with a wide range of assets, including securities, cash or real estate. A CRT provides income to you and/or other beneficiaries you designate, for life or for a selected term of years. The remainder is then put to use by the University as you direct. When funded at the minimum funding level of \$50,000, the University of Virginia will serve as trustee of your trust, and the trust assets may be invested with trust investment pools within the University's endowment.



Relief from Taxes

If you establish a CRT, you may be eligible to receive several tax benefits, including a bypass of capital gains tax, a current charitable income tax deduction, and a reduction in estate taxes. Your tax adviser will help you determine how each of these benefits applies in your specific situation.

Regular Payments— A Great Way to Supplement Your Income

You and your beneficiaries will receive regular payments from the trust for the entire trust term. Payments typically range between 5% and 7% of the trust value if the University serves as trustee.

If you establish a charitable remainder annuity trust (CRAT), your annual payment will be a fixed percentage of the initial value of your trust. Your trust “annuity” payment will not fluctuate from year to year based on market performance.

If you instead establish a charitable remainder unitrust (CRUT), your annual payment will be a fixed percentage of the trust's principal as it is revalued each year. Thus, your “unitrust” payment will increase when the trust value increases but decrease if the trust value decreases.

continued



EXAMPLE: A CHARITABLE REMAINDER TRUST

Mr. and Mrs. Smith are 69 years old. Together, they fund a charitable remainder unitrust with \$75,000 in appreciated securities.

Based on a 6% unitrust payment, the Smiths will receive in the first year a \$4,500 unitrust payment.

In the following years, that amount will change based on the trust's annual value. The unitrust payment will be paid to both of the Smiths while they are both living, then to the survivor for the rest of his or her life.

In addition to their annual payments, the Smiths will be entitled to a charitable income tax deduction of \$25,041.75 in the year they establish their trust.

The money left in the trust after the Smiths have died will support the University in the way the Smiths designated when they set up their trust.



The Charitable Remainder Trust continued

Typically, your annual payment will be made in quarterly installments, but when you establish your trust, you can decide how often you want to receive your payments.

Make an Impact at the University of Virginia

At the end of the trust term, the assets remaining in the trust will be distributed to the University school or program you select for the purposes you define. For example, you might direct that the remainder be distributed for the University's unrestricted use, to fund a scholarship or professorship in your name, to help with capital improvements or historic preservation, or to support a particular research program in any one of the University's departments.

Real Estate and a "Flip" Trust

If you want to fund a trust with a gift of real estate (or other hard-to-sell assets), you might want to establish a special kind of CRUT known as a "Flip" CRUT. Until the trust sells the real estate, your annual payments will comprise only the net income of the trust. After the sale, however, you

will begin receiving annual unitrust payments. The University of Virginia Foundation regularly handles real estate transactions and is well-equipped to help you fund a trust with real estate.

The Cornerstone Society— Letting Us Say Thank You

On October 6, 1817, President James Monroe and former Presidents Thomas Jefferson and James Madison gathered at a ceremony to lay the cornerstone of Pavilion VII, the first structure at the University of Virginia. Just as this cornerstone provided the foundation for the University's first building, the Cornerstone Society is laying the groundwork for the University's achievements in the decades ahead.

The Cornerstone Society is the community of alumni, parents, and friends who have made planned gifts to the University or its related foundations, through wills, living trusts, or retirement plan assets; gifts of life insurance; charitable gift annuities; and charitable remainder trusts.

How Can We Help You?

call 434-924-7306 or 800-688-9882 (toll free)

email giftplanning@virginia.edu

web virginia.edu/giftplanning

The Office of Gift Planning mailing address is
PO Box 400807, Charlottesville VA 22904-4807.



The University of Virginia does not provide legal or tax advice. We recommend that you seek your own legal and tax advice in connection with gift and planning matters. To ensure compliance with certain IRS requirements, we disclose to you that this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.