



Charitable Remainder Trusts

A way to balance giving and income goals

A Charitable Remainder Trust (CRT) is a way to give that enables you to transfer appreciated assets into the trust and:

- 1) avoid taxes on the sale of the assets,
- 2) receive an immediate income tax deduction, and
- 3) receive income for your personal use.

After you transfer assets into the trust, the IICS Foundation, through its partnership with Servant Christian Community Foundation (SCCF), will liquidate these assets for you. They will then reinvest them to produce income that will go to you or others you designate for your lifetime or for a specified period of time. At the end of the trust period, the remainder balance will go to the IICS Foundation.

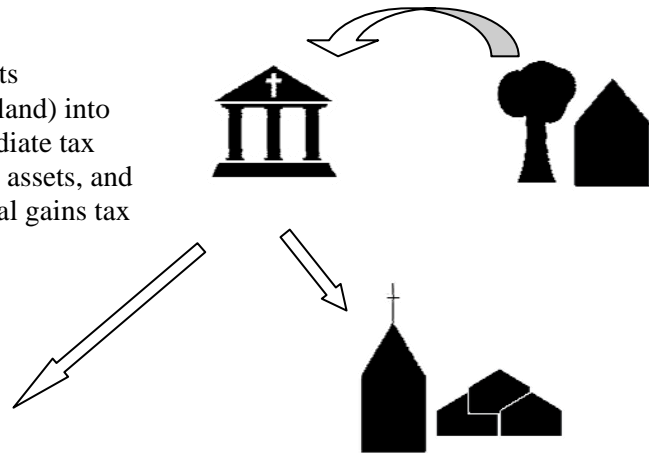
How it works.

- 1.** Husband and Wife transfer assets (such as a building or parcel of land) into their CRT and receive an immediate tax deduction. SCCF liquidates the assets, and Husband and Wife pay no capital gains tax on the asset transfer.

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Income

- 2.** Trust assets are reinvested and Husband and Wife receive income from the trust for their personal use for the remaining years of their lives.

- 3.** Upon Husband's and Wife's deaths, the balance in the trust goes to the IICS Foundation to support God's work through IICS.



You should consider a Charitable Remainder Trust if you ...

- Own an appreciated asset (with a low cost basis) and want to sell it, avoid tax on the sale, reinvest the proceeds and live off the income the asset would produce
- Own a highly appreciated non-liquid asset that is not currently producing any income
- Need income for life from an asset, but you eventually want a charity to get the remainder balance

What are the benefits of a Charitable Remainder Trust?

- You receive an immediate income tax deduction by donating the asset into the trust.
- You pay no capital gains tax on the asset transfer.
- You increase your current income by turning a non-income producing asset into an income-producing asset.
- The trust puts more money to work for you than if you had sold the asset, paid the tax and invested the remainder.
- The trust helps you fulfill your long-term charitable objectives.
- Asset(s) are removed from your estate, thereby potentially reducing your estate tax liability.

A real-world example:

Suppose Husband and Wife have \$1 million in publicly traded stock that they bought for \$200,000. Through a dividend yield of 2 percent, this stock provides them with an annual income of \$20,000 before taxes.

Suppose Husband and Wife chose to sell the stock, pay the tax on the gain and reinvest the proceeds to get a higher return. They will owe long-term capital gain tax of \$120,000 (\$1 million - \$200,000 x 15%) plus any applicable state taxes. By investing the net proceeds of \$880,000 (assuming no state tax) and drawing out 7% per year, they will have an annual income of \$61,600 before taxes.

By contrast, if they contribute the stock to a Charitable Remainder Trust, they receive an income tax deduction in the year of the gift. The trust sells the stock without incurring any capital gain taxes and Husband and Wife draw an annual income of 7% of \$1 million or \$70,000. Best of all, they get to support their charitable giving goals upon death.

By contributing the stock to a Charitable Remainder Trust, Husband and Wife not only make a major gift to charity, but they also receive about 14% more income than if they had sold the stock themselves.

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For more information on charitable remainder trusts for benefit of IICS through SCCF, call SCCF at 913-310-0279 or visit www.servantchristian.com/trusts.

Charitable Trusts through IICS and SCCF

How the process works:

1. **Drafting the Trust document.** If you and your advisor decide that a Charitable Trust is appropriate in your financial and philanthropic planning, you will need to have a Trust document drafted. There are many key content and design issues which should be addressed within this legal document. SCCF will be pleased to assist you and your counsel in covering these important points.
2. **Determination of what assets should be used to fund the Charitable Trust.** There are some assets that can make funding a Charitable Trust an extremely complex arrangement. Some assets will alter the tax implications and may not be good candidates for such funding. Retaining appropriate counsel, experienced in charitable estate planning, is imperative.
3. **Naming a trustee.** This is a fundamental requirement. The grantor may select a private individual, a charitable organization, or a corporate entity to serve in this capacity. Careful consideration should be given to selecting a trustee(s) that has experience in Trust fiduciary issues. The responsibilities of the trustee are complex and numerous. SCCF can serve you in this capacity.
4. **Charitable Trust administration.** As trustee, SCCF will be responsible for the following:
 - a. Oversight of asset custody
 - b. Investment Committee adoption of investment policy
 - c. Retention and review of Investment Management services and performance
 - d. Valuation and sale of Trust assets
 - e. Determination of annual Trust payment amounts
 - f. Receiving and disbursing revenues
 - g. Accounting for all transactions under the “four-tier” system
 - h. Filing of fiduciary tax and information returns
 - i. Maintaining the Trust’s tax-exempt status
 - j. Compliance with private foundation excise tax rules
 - k. Communication and reporting to Trust beneficiaries
5. **Managing the asset within the Trust.** In the event that the Trust is funded with an asset other than cash or traded securities, SCCF will work towards the sale or the ongoing management of the asset as appropriate.

Documents and information which should be submitted to SCCF may include:

- Information on the asset to be contributed
- Trust document (if currently in existence)

Costs associated:

The minimum initial Trust value required is \$500,000. To cover the costs associated with trustee and administration services, SCCF charges a percentage of the fair market value of the Trust based on the following schedule:

Annual Fee:	under \$ 500,000	\$3,500 minimum
	\$ 500,001 to \$1,000,000	additional .70%
	\$1,000,001 to \$2,000,000	additional .60%
	\$2,000,001 to \$3,000,000	additional .45%
	\$3,000,001 to \$5,000,000	additional .30%
	\$5,000,001 and up	negotiable

For more information about SCCF, see their website at www.servantchristian.com or call (913) 310-0279.