KEYS TO EFFECTIVE GIVING

Charitable Remainder Trust

A publication for friends of The JESUS Film Project ©2007

The charitable deduction is the most flexible itemized deduction left available to taxpayers: you can control the timing, form and amount of your deduction. As you look at your goals, dreams, assets, family needs, etc., now might be a good time to consider how to ***maximize your giving*** and ***minimize your taxes.***

While gifts of cash are the most typical method of giving, one popular alternative is a gift of appreciated assets through a *Charitable Remainder Trust (CRT)*. A charitable remainder trust should be seriously considered when your specific goals include:

- **Avoiding the capital gains taxes associated with sale of an asset.**
- **Converting low income producing assets into a larger lifetime income stream.**
- **Moving an asset (discounted) and the associated income to another generation.**
- **Considering a gift of only a portion of the asset, then using the charitable deduction associated with the gift portion of the asset to offset a major portion of the taxes associated with sale of the retained portion of the asset.**
- **Providing a significant gift to The JESUS Film Project and/or other favorite charities.**

All Charitable Trusts are similar, but each trust serves a unique purpose. It is most important to determine ***what*** you want to accomplish prior to implementing the ***how***.

CRTs come in two major forms: charitable remainder annuity trusts (CRATs) and charitable remainder unitrusts (CRUTs). The type of trust is determined by how income distribution is determined. A CRAT pays a fixed income for life or a fixed period of up to 20 years. The trustee uses income (and principle if necessary) to make annual payments that are a specified percentage of the initial trust principle. The payments are ***fixed*** for the life of the trust. A CRUT pays a ***variable*** amount for the life of the trust, based on a specified fixed percentage of the trust principle, as revalued annually. In either case, when the trust terminates the remaining assets transfer to The JESUS Film Project.

There are ***five steps*** in the creation a typical CRT.

1. **Donor determines financial, estate and gift objectives and attorney drafts trust/s;**
2. **Donor transfers property or undivided interest in a portion of the property to the trust/s;**
3. **Donor receives immediate income tax charitable deduction;**

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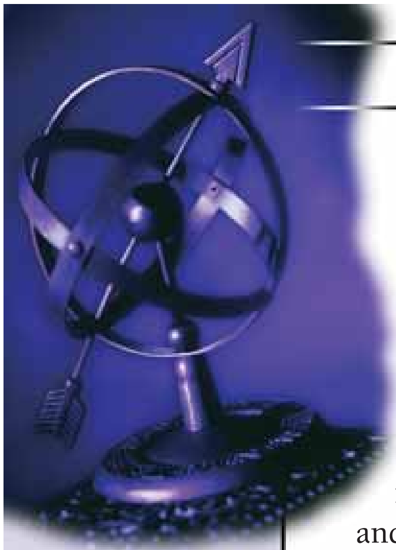


4. Trustee converts the assets to cash and reinvests proceeds to pay an annual income to the income beneficiary/ies for his/her/their lifetime/s.
5. Upon the income beneficiary's home-going or term of the trust, the remaining principle will be distributed to **The JESUS Film Project**.

Planning Your Charitable Remainder Trust

Although a charitable remainder trust is extremely flexible, it is most important for you to determine your objectives and then evaluate them from financial, estate and gift planning points of view. **The JESUS Film Project** can assist you in reviewing and evaluating various alternatives prior to meeting with your attorney.

There are a number of options that **may** need to be evaluated.

You select the income beneficiaries. You decide if income benefits will be paid to you, to you and your spouse or another person/s for life or a term of years. You many want to include payments for two lives and also specify a minimum number of years. There are several combinations of beneficiaries and lives to consider depending upon your situation.

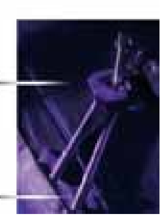
You set the exact amount that will be paid out each year. The IRS guidelines give you a broad right when creating the trust to determine the dollar amount to be paid every year. Typically, donors will fix the payout amounts between 5 and 8 percent depending on objectives. You are able to decide if a CRAT or one of several forms of CRUTs are most appropriate for you. This is most important if you are considering a gift of a non-liquid asset to fund the trust.

You select the property used to fund the trust. Funding the trust with appreciated property may have real advantages, especially if the property produces little or no positive cash flow. You may want to gift only a portion of a non-divisible asset prior to sale of the entire asset, i.e., gift part and keep part. Often donors can keep an undivided interest in 25 to 30 percent of an asset with little tax consequence at the sale, due to the charitable contribution. We can help you evaluate the tax consequences of your unique alternatives.

You name the trustee. You can name anyone you wish to serve as trustee: yourself, your attorney or CPA, a family member, your bank, charity or trust company. The choice is yours, but there are fiduciary obligations the trustee must perform.

In summary, a charitable remainder trust (*CRT*) can be tailored to meet unique individual goals. The *CRT* can be a rewarding part of your investment, estate and gift planning. It can be a means of increasing your spendable income or providing income for another person. The choices are yours.

For additional information, please call toll-free, (800) 449-5454. You can also e-mail us at info@gcfccc.org.



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