



# Charitable Remainder Trusts

## Calculations and Examples

### Charitable Remainder Trust

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## Summary of Benefits

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### 5% Charitable Unitrust

#### ASSUMPTIONS:

Beneficiary Ages	76
	75
Value of Long Term Gain Property	\$400,000.00
Cost Basis of Long Term Gain Property	\$75,000.00
Cash	\$100,000.00
Total Principal Donated (Value of LTG + Cash)	\$500,000.00
Total Cost Basis (Basis of LTG + Cash)	\$175,000.00
Payout Rate	5%
Payment Schedule	quarterly 3 months to 1st payment

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#### BENEFITS:

Charitable Deduction	\$250,355.00
Estimated Payments in First Full Year (future payments will vary with trust value)	\$25,000.00

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

## Actuarial Calculations

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### 5% Charitable Unitrust

#### ASSUMPTIONS:

[1]	Beneficiary Ages	76 75
	Date of Gift	10/28/2017
[2]	Value of Long Term Gain Property	\$400,000.00
[3]	Cost Basis of Long Term Gain Property	\$75,000.00
[4]	Cash	\$100,000.00
[5]	Total Principal Donated ([2] + [4])	\$500,000.00
[6]	Total Cost Basis ([3] + [4])	\$175,000.00
[7]	Payout Rate	5%
[8]	Payment Schedule	quarterly 3 months to 1st payment
[9]	Discount Rate under IRC Section 7520(a) for 9/2017	2.4%

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#### CALCULATIONS:

[10]	Adjustment factor for schedule on [8], rate on [9] (Table F in IRS Publication 1458 (5-2009))	0.985308
[11]	Adjusted unitrust payout rate ([7] x [10]) (Reg. 1.664-4(e)(3))	4.9265%
[12]	Remainder factor for values on [1] and [11] (Table U(2) in IRS Publication 1458 (5-2009))	0.50071
[13]	<b>CHARITABLE DEDUCTION</b> ([5] x [12])	<b>\$250,355.00</b>

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

# LEAVE A LEGACY HUMBOLDT

## WHAT IS A CHARITABLE REMAINDER UNITRUST?

A charitable remainder unitrust ("unitrust") is a gift plan defined by federal tax law that allows you to provide payments to yourself or others while making a generous gift to a charity. The payments may continue for the lifetimes of the beneficiaries you name, a fixed term of not more than 20 years, or a combination of the two.

As a unitrust donor, you irrevocably transfer assets, usually cash, securities, or real estate, to a trustee of your choice (for example, a bank trust department).

During the unitrust's term, the trustee invests the unitrust's assets. Each year, the trustee distributes a fixed percentage of the unitrust's current value, as revalued annually, to your beneficiaries. If the unitrust's value goes up from one year to the next, its payout increases proportionately. Likewise, if the unitrust's value goes down, the amount it distributes also goes down. For this reason, it may be to your advantage to choose a relatively low payout percentage so that the unitrust assets can grow, which in turn will allow the unitrust's yearly payments to grow.

Payments must be between 5% and 50% of the trust's annual value and are made out of trust income, or trust principal if income is not adequate. Payments may be made annually, semiannually, or quarterly.

When the unitrust term ends, the unitrust's principal passes to a charity, to be used for the purpose you designate. You may add funds to your unitrust whenever you like.

## BENEFITS INCLUDE:

- 1) You will qualify for a federal income tax deduction. Note that deductions for gifts of long term appreciated property will be limited to 30% of your adjusted gross income. Gifts of cash, short term appreciated property, ordinary income property, and non-appreciated property will be limited to 50% of your adjusted gross income. You may, if necessary, take unused deductions of either kind over the next five years, subject to the same 30% or 50% limitation.
- 2) The beneficiaries you name will receive annual payments for life, or for the period you designate.
- 3) If you fund the trust with a long term appreciated asset (one you have held for more than one year) and the trust sells it, there will be no immediate tax on the capital gain. If you were to sell such an asset yourself, you would owe tax on all the capital gain realized in the sale.
- 4) Your estate may enjoy reduced probate costs and estate taxes.
- 5) You will provide generous support to a charity.

October 26, 2017

## Summary of Benefits

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### ASSUMPTIONS:

Projection begins in 2017 and runs for 16 years.

Measuring lives age 76, 75.

Original principal is \$500,000: long term gain property valued at \$400,000 with a cost basis of \$75,000 and \$100,000 cash.

Donor income tax bracket is 34.696%, 22.905% for capital gains.

Beneficiary income tax bracket is 34.696%, 22.905% for capital gains.

	Charitable Unitrust 5%	Sold and Reinvested	Kept Intact
Gross Principal	\$500,000	\$500,000	\$500,000
Net Principal	\$500,000	\$425,559	\$500,000
Average Annual Payment	\$26,965	\$22,951	\$13,640
Charitable Deduction	\$250,355	\$0	\$0
Income Tax Savings	\$86,863	\$0	\$0
Capital Gains Tax	\$0	\$74,441	\$0
Cost of Gift	\$413,137	\$500,000	\$500,000
Income	1%	5%	2%
Capital Appreciation	5%	1%	4%
Sell Asset in First Year	Yes	Yes	No
Total Before-Tax Benefit To Payment Recipients	\$431,447	\$367,212	\$218,245
<b>Total After-Tax Benefit To Payment Recipients</b>	<b>\$322,449</b>	<b>\$239,804</b>	<b>\$142,523</b>
Donor Principal	\$0	\$499,001	\$936,491
<b>Benefit to Charity</b>	<b>\$586,289</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Benefit</b>	<b>\$908,739</b>	<b>\$738,805</b>	<b>\$1,079,014</b>

## Cash Flow Comparison

### ASSUMPTIONS:

Projection begins in 2017 and runs for 16 years.

Measuring lives age 76, 75.

Original principal is \$500,000: long term gain property valued at \$400,000 with a cost basis of \$75,000 and \$100,000 cash.

Donor income tax bracket is 34.696%, 22.905% for capital gains.

Beneficiary income tax bracket is 34.696%, 22.905% for capital gains.

Column 1: income is 1%, apprec. is 5%. Sell asset in first year.

Column 2: income is 5%, apprec. is 1%. Sell asset in first year.

Column 3: income is 2%, apprec. is 4%. Sell asset in first year.

YR	Charitable Unitrust 5%		Sold and Reinvested		Kept Intact	
	Year-End Principal	After-Tax Payments	Year-End Principal	After-Tax Payments	Year-End Principal	After-Tax Payments
2017	\$500,000		\$425,559		\$500,000	
2018	505,000	\$18,684	429,814	\$13,895	520,000	\$6,530
2019	510,050	18,871	434,112	14,034	540,800	6,792
2020	515,151	19,060	438,454	14,175	562,432	7,063
2021	520,302	19,250	442,838	14,316	584,929	7,346
2022	525,505	19,443	447,267	14,460	608,326	7,640
2023	530,760	19,637	451,739	14,604	632,660	7,945
2024	536,068	19,834	456,257	14,750	657,966	8,263
2025	541,428	20,032	460,819	14,898	684,285	8,594
2026	546,843	20,232	465,427	15,047	711,656	8,937
2027	552,311	20,435	470,082	15,197	740,122	9,295
2028	557,834	20,639	474,782	15,349	769,727	9,667
2029	563,413	20,845	479,530	15,503	800,516	10,053
2030	569,047	21,054	484,326	15,658	832,537	10,455
2031	574,737	21,264	489,169	15,814	865,838	10,874
2032	580,484	21,477	494,060	15,972	900,472	11,309
2033	586,289	21,692	499,001	16,132	936,491	11,761
<b>TOT</b>	<b>586,289</b>	<b>322,449</b>	<b>499,001</b>	<b>239,804</b>	<b>936,491</b>	<b>142,523</b>

Life Income Projections

IRS Discount Rate is 2.4%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.