



Trusts, Estates,
and Gift Planning

Strategic financial
planning for your
Cornell philanthropy

Charitable Remainder Trust

giftplanning.giving.cornell.edu

The Charitable Remainder Trust is one of the most popular, versatile, and time-tested planning techniques involving charitable giving. A Charitable Remainder Trust allows you to contribute to Cornell while receiving an income for life, or a term of years.

What is a charitable remainder trust?

You transfer property to a trust in life or through your Will with Cornell University generally serving as trustee. Cornell investment managers invest, manage, and distribute the assets in accordance with the terms of the trust document, including periodic payments to you or your designee(s). At the end of the trust term, the remaining assets are distributed in accordance with your charitable wishes as stated in the trust agreement. Cornell will serve as trustee for a minimum gift of \$50,000. Under certain circumstances, multiple charitable beneficiaries may be named in the trust document as long as Cornell's portion is at least 60% and exceeds \$50,000. There are two basic types of charitable remainder trusts: a charitable remainder unitrust (CRUT) and a charitable remainder annuity trust (CRAT).

- In a CRUT, the income beneficiary is entitled to receive a fixed percentage (no less than 5% and no more than 50%) of the fair market value of the trust assets (revalued annually). Thus, the income payment will increase as the value of the trust assets increase. Conversely, the income payment will decrease if the value of the trust assets decreases. Additional gifts are permitted without creating a new trust.
- In a CRAT, the income payments are set at the inception of the trust. The payments do not fluctuate and have no correlation with the future value of the trust assets. Additional gifts require the creation of a new trust.

As a general rule, your tolerance for market risk is the primary factor in selecting a CRAT or CRUT. Historically, the CRUT has been more popular because it provides increased income as the value of the trust grows over time.

What are the benefits of a charitable remainder trust?

A charitable remainder trust allows you to provide income for yourself, your spouse, your children, or another beneficiary while helping to meet important objectives:

- Increase your income for life, for you and/or a family member
- Obtain a significant income tax charitable deduction
- Unlock appreciated assets (cash, securities, real estate, business interests, etc.) without incurring a capital gain tax
- Remove assets and future appreciation from your taxable estate
- Diversify your portfolio with minimum tax costs
- Supplement your retirement income with the potential for long-term income growth

- Secure access to institutional investment techniques and administrative management through Cornell University
- Retain flexibility in the timing of income distributions
- Establish legacy support for Cornell and the satisfaction of making a significant gift to Cornell during your lifetime
- Your gift to Cornell is credited based on the fair market value of the property transferred to the trust, allowing you to reach charitable goals that may otherwise appear unattainable

What assets may be donated to a CRT?

You can use the following types of assets to fund a charitable remainder trust:

- Cash
- Publicly traded securities
- Some types of closely-held stock (note that CRTs cannot hold S-Corp stock)
- Unencumbered real estate
- Certain other complex assets

Charitable Stretch IRA

The SECURE Act eliminated the "stretch" IRA for most non-spousal beneficiaries. Under the new law, the inherited IRA must be spent down within 10 years, which will cause heirs to be taxed at their highest effective tax bracket, potentially losing a significant percentage of the IRA to taxes. Naming a testamentary CRT as the beneficiary of an IRA would create what we call the "Charitable Stretch IRA" thus providing your chosen beneficiaries with an income stream well beyond 10 years. Creating a testamentary CRT can maximize tax efficiencies, benefit your heirs, and ultimately show your support for Cornell.

It is also possible to set up a charitable remainder trust in one's will or living trust. This is a great option for extending the transfer of wealth to heirs over a period of time. In this situation, it is important that you work closely with knowledgeable advisors so that all documents are drafted and executed properly. Our team is committed to help fulfill your philanthropic objectives and we will work in collaborative partnership with you and your advisors at any time.

We routinely provide personalized gift illustrations so that you and your financial advisors may review the benefits of a charitable remainder trust. Please contact our team and **request an illustration today.**

Cornell University and its employees do not provide tax, legal, or financial advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for tax, legal, or financial advice. You should consult your tax, legal, and financial advisors for personalized advice.

Learn more

Additional resources are available for you to review on our website giftplanning.giving.cornell.edu

Cornell's Office of Trusts, Estates, and Gift Planning

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