Charitable Remainder Trust

Strategic financial planning for your Cornell philanthropy

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, PXOWLSOHFKDULWDEOHEHQHOfLDLULVYVDHEQDPHDG 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 family member.

- **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.**
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- **(VWDEOLVKOH)DFI\VXSSRUWIRU&RUQHOODQGWKHDWL** 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**
- **3XELFO\WUDGHHVFXULWLV**
- **Some types of closely-held stock (note that CRTs cannot hold S-Corp stock)**
- **Unencumbered real estate**
- **Certain other complex assets**

**Charitable Stretch IRA**
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must be spent down within 10 years, which will cause heirs to be taxed at their highest effective tax bracket, potentially ORVLQ\DVLLQOFDQSHUHFQWJD|HRWVKH,5$WR\D[WVHDWPDHQWUDU&57DVWKHEHQHOfLDU\RIQD,5$ZRXOGFUWHZKDWZHDQW3KQ&KDUULWDEOHEGWUHFK
SURYLGLQ\RXUFKRVQHEHQHOfLDLULVZLWQDFRPHVW well beyond 10 years. Creating a testamentary CRT can PD[LPL]HWD|HIOFLHQFLHEHQHOfRO\RXUKHLUVQXQLPDW 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 IX\Go0O|RUXUSKLQDQWKFURSLFRMHEFWLHVHDQGZHLOZRU collaborative partnership with you and your advisors at any time.

We routinely provide personalized gift illustrations so that |RXQDG|RXUoQDFLDDDOGVLYRVUVPDUHYLHZKWKEHOGHWVDFKDUULWDEOHEHUPLDGOHQUWXV3OHDFRQWDFRXU request an illustration today.

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

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