

Planned Giving Tip

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Can your parishioners use a CRUT?

A very popular gift planning tool that donors use to give to charity are Charitable Remainder Unitrusts, or CRUTs. Some basic characteristics of CRUTs include:

- donor transferring assets to the trust (usually at a bank) in return for income for a period of years or lifetime;
- income paid to the donor, the donor's spouse or another individual;
- donor determining the payout rate (at least 5% and typically 5-7%) – the best rate will depend upon the number of beneficiaries the donor selects and their ages;
- with a unitrust, the donor receives a fixed percentage of the fair market value of the value of the trusts assets, recalculated annually. This means the donor's income is variable because it's based on the trust value. If the value of the fund increases, so does the donor's income and ultimately their gift to the church. If the market value decreases, so does their income and the church's ultimate benefit from the trust;

EXAMPLE:

Jerry funds a unitrust with \$100,000 and arranges payouts each year equal to 6% of the fair market value of the trusts assets. In the first year, he receives \$6,000 (6% of \$100,000). One year later, the assets are worth \$110,000, so Jerry receives \$6,600 for the upcoming year (6% of \$110,000). (Jerry always has the choice in a given year to lower the payout if the value of the trust is less than the preceding year). Upon Jerry's death, whatever amount is left in the trust is transferred to the church after trust expenses are paid.

Donors typically choose a unitrust as a hedge against inflation, especially if they foresee economic growth in the coming years. Another option for donors is an annuity trust in which the payout AMOUNT is fixed every year regardless of what the value of the trust is each year. If the trust value goes up or down the payout never changes.

Keep planting seeds!