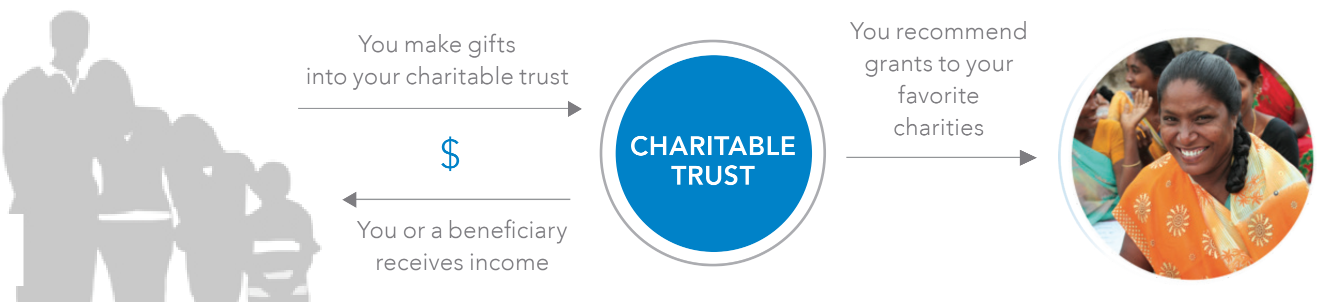
National Christian FOUNDATION® Heartland

THE CHARITABLE TRUST

A tax-advantaged solution to help you balance your giving and inheritance goals

A charitable trust is a creative, tax-smart solution that helps you balance two interests – charitable giving and income for you or your heirs. There are primarily two types of charitable trusts: a lead trust and a remainder trust. With the charitable lead trust, money is paid first to a charity for a specified amount of time. At the end of the trust period, the balance of the trust goes to a designated beneficiary, typically the family of the trust creator. A charitable remainder trust reverses that order, paying a beneficiary first. At the time of the beneficiary's death, or at the end of a specified period of time, the remainder of the trust goes to charity. You will need the help of your financial advisor and/or independent legal counsel to open a trust.



THE CHARITABLE REMAINDER TRUST (CRT)

- A CRT allows you to transfer appreciated assets into the trust, avoid taxes on the sale of the assets, and receive an immediate income tax deduction.
- Those assets are then liquidated and can be reinvested to produce income that goes to you or others designated by you for a specified period of time.
- At the end of the trust period, the remainder balance goes to your favorite charities. We help people establish a Giving Fund (donor-advised fund), a creative solution that can be named as the trust's charitable beneficiary.
- With the Giving Fund, you have the flexibility of changing charitable recipients as often as you need to.

THE CHARITABLE LEAD TRUST (CLT)

- A CLT allows you to transfer assets into the trust, pay income to charity for a fixed number of years, and then (upon your death or at the end of the trust period) pay the remaining balance in the trust to your family or another (non-charitable) beneficiary.
- Your Giving Fund at NCF (see left) can be named as the trust's charitable beneficiary – thus, giving you the flexibility of changing charitable recipients as often as you need to.
- You can either lock in the amount of annual payments from the trust to your Giving Fund (charitable lead annuity trust), or you may elect to have the amount of annual payments vary each year (charitable lead unitrust).

Get started today. Visit nationalchristian.com/heartland or call 913.310.0279.

FREQUENTLY ASKED QUESTIONS

When is a charitable lead trust more suitable?

If you seek to give to a charity but still wish to leave an estate to your heirs, you should consider a charitable lead trust. You can accomplish your giving objectives, while potentially increasing what could be passed on to your heirs at a reduced or eliminated estate tax cost.

When is a charitable remainder trust more suitable?

If it's important for you to take care of your financial needs or those of others first – and donate funds to charity later – then a charitable remainder trust would be a good vehicle for you.

What are the best assets to use in setting up a charitable remainder trust?

It's best to fund charitable remainder trusts with highly appreciated assets, such as stock or real estate, in which you have a low cost basis.

How do I set up a trust?

Because a trust is a legal document, you must have objective, independent legal counsel to create and fund a trust. NCF will work with you and your legal counsel to establish your Giving Fund as charitable beneficiary of your charitable trust.

A CASE STUDY: THE CHARITABLE REMAINDER TRUST

Luke has $1 million in publicly traded stock in which he has a cost basis of $200,000. Through a dividend yield of 2%, this stock provides Luke with an annual income of $20,000 before taxes. In order for Luke to achieve a higher income from this investment, he can either (a) sell the stock and reinvest or (b) contribute the stock to a charitable remainder trust, which will make payments to Luke over a specified period of time.

Suppose Luke chooses to sell the stock and reinvest the proceeds. He will owe long-term capital gain tax of $160,000 ($1 million - $200,000 x 20%) plus any applicable state taxes. By investing the net proceeds of $840,000 (assuming no state tax) and drawing out 7% per year, Luke will have an annual income of $58,800 before taxes.

By contrast, if Luke contributes the stock to a Charitable Remainder Trust (CRT), he receives an income tax deduction in the year of the gift. The trust sells the stock without incurring any capital gain taxes, and Luke draws an annual income of 7% of $1 million $70,000. Best of all, Luke gets to support his charitable giving goals.

By contributing the stock to a charitable remainder trust, Luke not only makes a major gift to charity, he also receives about 19% more income than if he had sold the stock himself.

Note: The example above is shown for illustration purposes only and includes assumptions on tax rates, business types, and structure which may or may not apply to you, so there is no assurance that the savings depicted can or will be achieved. Consult with your attorney, financial advisor, and/or tax advisor to analyze your particular situation before proceeding.

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