

**CHARITABLE REMAINDER TRUST**

**WHAT IS A CHARITABLE REMAINDER TRUST (“CRT”)**

The charitable **r**emainder trust (“**CRT**”) is a specialized trust arrangement where the donor irrevocably transfers assets to the trust in exchange for an income interest payable to trust beneficiaries. Most often, the donor and/or donor’s spouse are the income beneficiaries. The beneficiaries can also be another family member or some else such as a friend. The trust term for the payments can be designed for the lifetime of the beneficiaries or for a fixed term not to exceed 20 years. The trust's remainder interest--what left after all income interests are paid out--goes to one or more charitable beneficiaries.

The trust is typically prepared by the donor’s lawyer (for a fee) or by the trust department of a bank or trust company (most often for no separate fee). The trust is supervised by a trustee who oversees the implementation of the trust’s terms and is typically the donor or a third party such as a bank or trust company. The trust terms include the trust’s commencement date, payment intervals and amounts, management of the trust assets, and its termination. The investment of the trust assets and financial advice is usually done by the trustee or by a separate financial advisor with discretion or according to specific directions from the trustor.

**BASIC EXAMPLES OF CLTS**

The type of **CRT** is based upon how it pays amounts from the trust and is designed to fit the donor’s needs:

* Pays a **fixed dollar amount** yearly (charitable remainder annuity trust or “**CRAT**”)

* Pays a **fixed percentage** of the trust's assets revalued annually (charitable remainder unitrust or “**CRUT**”)
* Pays the **lesser of a fixed percentage** of the trust assets **or** the **only the annual trust income** (net income charitable remainder unitrust or “**NICRUT**”)
* Pays a “make-up” amount if there is income in the current year but none in the prior year ( net income makeup charitable remainder unitrust or “**NIMCRUT**”)

While the CRT structure can be complicated, it is an ideal planned giving vehicle for the right donor and is a substantial mechanism to build the charity’s endowment.