



COMMUNITY
FOUNDATION
OF WESTERN MASSACHUSETTS

Charitable Remainder Trusts

A Charitable Remainder Trust pays income to non-charitable beneficiaries (the donor, spouse, parents, etc.) for a specified period of time, and the remainder to charity.

Below are answers to frequently asked questions about Charitable Remainder Trusts.

Q. How do I establish a Charitable Remainder Trust?

A. Trusts can be established easily and quickly. The Foundation assists donors and their financial advisors with the trust-establishment process. The trust instrument is prepared by an attorney and signed by the donor and the Foundation. Assets can then be transferred. The Foundation will only serve as trustee of the trust if the remainder comes to an endowed fund at the Foundation.

Q. Is there a required minimum balance?

A. The minimum balance to establish and administer a Charitable Remainder Trust is \$50,000.

Q. How are funds invested?

A. Our funds are professionally invested under the supervision of expert community volunteers. Funds are pooled and invested with other assets of the Foundation for fuller diversification, with each fund accruing its own share of the earnings. Each fund is accounted for separately. Donors may choose from a selection of portfolios and will receive quarterly financial statements.

Q. What are the administrative fees and investment expenses?

A. The Foundation does not charge for administering Charitable Remainder Trusts. Investment expenses of the assets will be charged as part of the expenses of the trust. After the death of the life beneficiary/beneficiaries, the Foundation will levy its customary fee (1% annually) on the fund to which the assets of the trust are transferred.

Q. How will the Trust work?

A. After payments are made to the beneficiary/beneficiaries, usually for their lifetimes, the remainder of the trust is distributed to a named, endowed fund at the Community Foundation.

The fund can be tailored to the charitable interests of the donor (e.g., unrestricted grant making, supporting a named field of interest, scholarship, endowing a named charity or charities, etc.).

Q. Are there income payment options with Charitable Remainder Trusts?

A. The amounts payable to the income beneficiary/beneficiaries can be a fixed dollar amount (Annuity Trust), or can be a fixed percentage of the principal of the trust each year, which will vary with the investment returns of the trust (Unitrust).

Q. What are the tax benefits with Charitable Remainder Trusts?

A. The donor can usually take a tax deduction for part of the gift based upon the age of the life beneficiary/beneficiaries and the payout rate. The older the income beneficiary/beneficiaries and the smaller the payout rate, the larger the deduction.

In addition, by giving appreciated assets to the trust, the long-term capital gains tax normally associated with the disposition of those securities can be avoided. Appreciated securities that pay little or no dividends may also be sold. Their value can begin to generate income and achieve greater investment diversification.

The Foundation has the software to help determine the tax deduction.