

TRUST & ESTATE ADMINISTRATION

CHARITABLE TRUSTS



The primary reason to make a charitable gift is to help further the work of organizations you believe in. However, gifts made during your lifetime or at your death can help you and your heirs financially as well.

Gifts can be made either outright or in a charitable trust. If you make a charitable gift in your will, your estate can claim an estate-tax deduction for the value of that gift. In addition to estate tax savings, lifetime gifts to qualified charities can provide income and gift tax savings.

Your gift could also enable you to realign your investment portfolio to provide increased cash flow. This is accomplished primarily because the capital gains tax can be reduced or eliminated on any gifted property. The capital from an appreciated property is reinvested without losing part of it to taxes. Similarly, your gift could enable you to diversify your investment portfolio. The capital from an appreciated asset could be reinvested over a broad range of investment vehicles to provide increased stability and security.

CHARITABLE REMAINDER TRUSTS

With a charitable remainder trust, you transfer property to a trust set up for the charity of your choice. The trust pays you, you and your spouse, or someone else you've chosen an income for life or a period of years. The trust ends at the death of the last income beneficiary (or earlier if specified), and the charity receives the property.

Charitable remainder trusts may have another advantage. A charitable remainder trust funded with appreciated low basis property allows the trust beneficiary to benefit from the trust's sale of the property without paying capital gains tax. Replacing the value of the property given to charity with insurance payable to a family member or other loved one would allow you to make a tax-advantaged gift to charity without "shortchanging" your family or passing along a high capital gains tax liability.

CHARITABLE LEAD TRUSTS

If you are currently making regular gifts to a favorite charity – or would like to do so – you may find it to your advantage to use a charitable lead trust for those gifts. A charitable lead trust pays income to the charity of your choice for a set period. At the end of that period, the trust assets pass to the person you've named as the trust's remainder beneficiary – your child or grandchild, for instance. Again, both the charity and your heirs benefit.

WANT TO LEARN MORE?

Let's talk. Contact your First Business representative today.