The Charitable Remainder Trust: A Great Way to Give—and to Receive

A charitable remainder trust is a wonderful way simultaneously to make your philanthropic impact on the University of Virginia and create a reliable payment stream for you and the beneficiaries you select.

How Does It Work?

A charitable remainder trust (CRT) can be funded with a wide range of assets, including securities, cash or real estate. A CRT provides income to you and/or other beneficiaries you designate for life or for a selected term of years. The remainder is then put to use by the University as you direct. For a minimum funding level of $50,000, the University of Virginia will serve as trustee of your trust, and the trust assets will be invested with trust investment pools within the University’s endowment.

Relief From Taxes

If you establish a CRT, you may be eligible to receive several tax benefits, including a bypass of capital gains tax, a current charitable income tax deduction, and a reduction in estate taxes. Your tax adviser will help you determine how each of these benefits applies in your specific situation.

Regular Payments—A Great Way to Supplement Your Income

You and your beneficiaries will receive regular payments from the trust for the entire trust term. Payments typically range between 5% and 7% of the trust value if the University serves as trustee.

If you establish a charitable remainder annuity trust (CRAT), your annual payment will be a fixed percentage of the initial value of your trust. Your trust “annuity” payment will not fluctuate from year to year based on market performance.

If you instead establish a charitable remainder unitrust (CRUT), your annual payment will be a fixed percentage of the trust’s principal as it is revalued each year. Thus, your “unitrust” payment will increase when

Example: A Charitable Remainder Trust

Mr. and Mrs. Smith are 69 years old. Together, they fund a charitable remainder unitrust with $75,000 in appreciated securities.

Based on a 6% unitrust payment, the Smiths will receive in the first year a $4,500 unitrust payment. In the following years, that amount will change based on the trust’s annual value. The unitrust payment will be paid to both of the Smiths while they are both living, then to the survivor for the rest of his or her life.

In addition to their annual payments, the Smiths will be entitled to a charitable income tax deduction of $25,041.75 in the year they establish their trust.

The money left in the trust after the Smiths have died will support the University in the way the Smiths designated when they set up their trust.
Charitable Remainder Trust continued

the trust value increases but decrease if
the trust value decreases.

Typically, your annual payment will
be made in quarterly installments, but
when you establish your trust, you can
decide how often you want to receive
your payments.

Real Estate and a “Flip” Trust

If you want to fund a trust with a gift of
real estate (or other hard-to-sell assets),
you might want to establish a special
kind of CRUT known as a “Flip” CRUT.
Until the trust sells the real estate, your
annual payments will comprise only
the net income of the trust. After
the sale, however, you will begin
receiving annual unitrust payments.
The University of Virginia Foundation
regularly handles real estate
transactions and is well-equipped to
help you fund a trust with real estate.

The Cornerstone Society—
Letting Us Say Thank You

On October 6, 1817, President James
Monroe and former Presidents Thomas
Jefferson and James Madison gathered
at a ceremony to lay the cornerstone
of Pavilion VII, the first structure at
the University of Virginia. Just as this
cornerstone provided the foundation
for the University’s first building,
the Cornerstone Society is laying
the groundwork for the University’s
achievements in the decades ahead.
The Cornerstone Society comprises
alumni, parents, and friends who have
made planned gifts to the University or
its related foundations, through wills,
living trusts, or retirement plan assets;
gifts of life insurance; charitable gift
annuities; and charitable remainder
trusts or lead trusts.

Make an Impact at the
University of Virginia

At the end of the trust term, the
assets remaining in the trust will
be distributed to the University
school or program you select for the
purposes you define. For example,
you might direct that the remainder
be distributed for the University’s
unrestricted use, to fund a scholarship
or professorship in your name, to help
with capital improvements, historic
preservation, or to support a particular
research program in any one of the
University’s departments.

For More Information

To learn more about establishing a charitable
remainder trust to benefit the University or about other
types of planned gifts, please call the Office of
Gift Planning at 434-924-7306 or toll-free at
800-688-9882, e-mail us at giftplanning@virginia.edu
or visit our Web site at www.virginia.edu/giftplanning.
The Office of Gift Planning mailing address is
P.O. Box 400807, Charlottesville, VA 22904-4807.

The University of Virginia does not provide legal or tax advice.
We recommend that you seek your own legal and tax advice in connection with
gift and planning matters. To ensure compliance with certain IRS requirements,
we disclose to you that this communication (including any attachments) is not
intended or written to be used, and cannot be used, for the purpose of avoiding
tax-related penalties.