

The Basics of Planned Giving for Generalists

Session 5- Charitable Remainder Trusts

Rick Oldenburg



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What is a Trust?

- It is a common misconception that trusts are only useful for wealthy people.
- When set up properly, trusts can be appropriate for people with *minors or special need children*
- those who want to *avoid having their estate go through probate* upon death.
- Federal Estate Tax Planning for larger estates (\$13.99m Federal or \$27.98m for married couples)
- What is the WA State Threshold? **\$2,193,000** 2025 Jan-Jun
\$3,000,000 2025 July on

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What is a Trust?

- Creating a trust establishes a legal entity that holds property or assets for the person who created it.
- Trust creators are called a grantor, donor, or settlor.
- Grantor appoints a person or entity (Bank/Trust Co.) to manage the trust, called a trustee.
- Grantor also chooses the beneficiary.
- In some situations, the grantor, trustee, & beneficiary are the same person (s/he should appoint both a successor trustee & beneficiary in case of incapacity)
- Terms of a will are public; terms of a trust are not - so privacy makes a trust an attractive option

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What is a Trust?

Common reasons to set up a trust include:

- Providing for minor children or family members who are inexperienced or unable to handle financial matters
- Providing for management of personal assets should one become unable to handle them oneself
- Avoiding probate and immediately transferring assets to beneficiaries upon death
- Reducing estate taxes and providing liquid assets to help pay for them

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What is a Trust?

- Trusts funded when grantor is living are *inter vivos*
- Trusts funded after-death are *testamentary*
- Trusts are either *revocable* (changeable) or *irrevocable* (unchangeable)
- *Revocable* trusts do not receive the same tax advantages that irrevocable trusts enjoy (why?)
- Living trusts are a popular and highly marketed item. While a great vehicle when set up properly, *beware of "living trust mills"*.
- Most popular general trust? Revocable Living Trust

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What is a Trust?

Donors must be encouraged to work with a qualified attorney to get maximum benefit from the state and federal laws that govern trusts & estates.

Things to consider:

- Grantor can specify how the assets are invested
- Grantor specifies how assets and income are spent, including yearly COLA on payouts or paying for travel expenses, etc.
- Trust must include a "trustee removal clause" allowing for removal of a trustee if warranted

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What is a Trust?

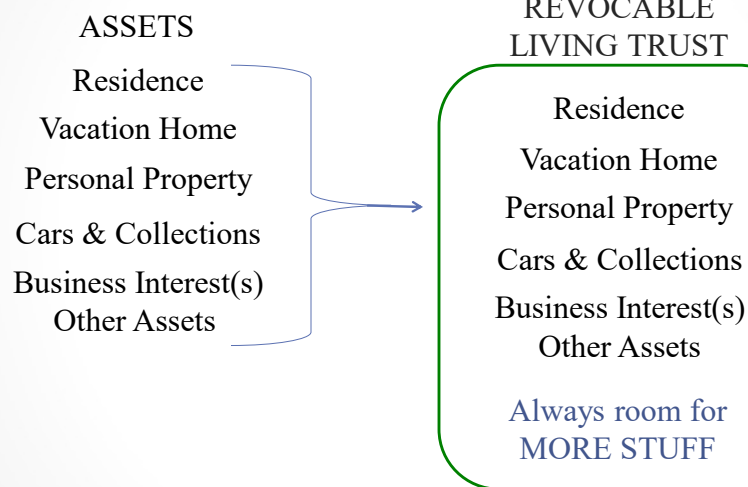
- Upon establishment of the trust the **grantor must complete the process** of setting up the trust **by transferring his/her assets into the trust**.

(Failure to do this properly makes the trust null and void. This means that upon the grantor's death the State may end up deciding who gets the assets and who cares for minor children.)

- Grantor can use a "pour-over" will to make sure assets remaining outside the trust are transferred to Trust at death.

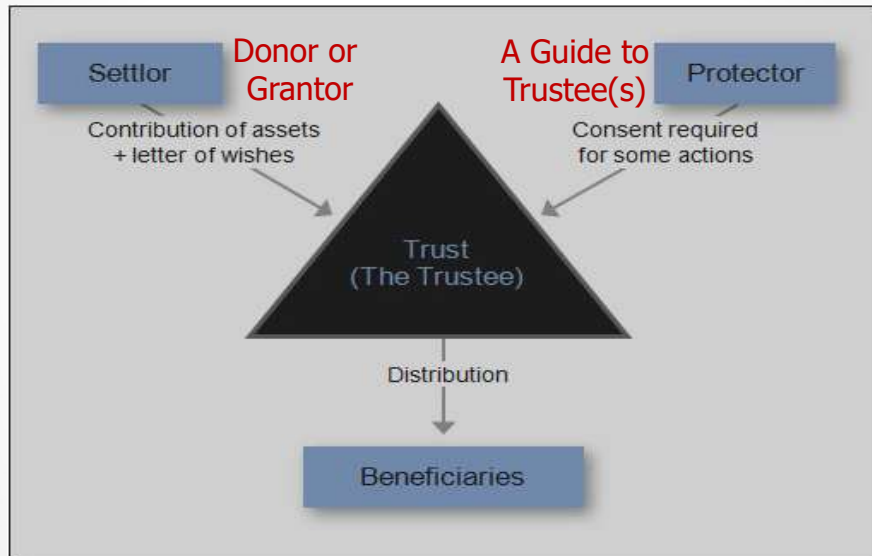
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What is a Trust?



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General Trust Diagram



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Trust Varieties

Some examples include:

- Bypass Trusts (A B Trust or Credit Shelter Trust)
- Spendthrift Trusts
- Irrevocable Life Insurance Trusts (ILIT)
- Charitable Remainder Trusts (CRT)

WHY ARE TRUSTS USED IN ESTATE PLANS?

Many Reasons – one is **Estate Tax reduction**

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Charitable Remainder Trust

Step #1

Donor creates Charitable Remainder Trust



Charitable
Remainder
Trust

Initial set up costs for paying attorney to draft trust



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Charitable Remainder Trust

Step #2

Donor funds Charitable Remainder Trust



Charitable
Remainder
Trust

Donor receives income tax deduction for funding
equal to present value of the remainder interest



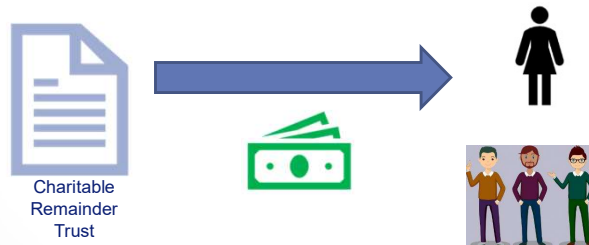
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Charitable Remainder Trust

Step #3

Charitable Remainder Trust pays out income stream over term of years or lifetime to non-charitable beneficiaries



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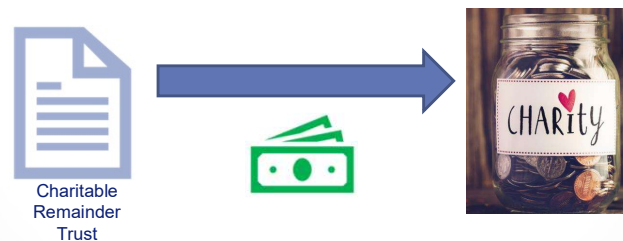
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Charitable Remainder Trust

Step #4

Charitable Remainder Trust pays out remainder to charitable beneficiaries after trust term is over



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Charitable Remainder Trust: Example

- Bill and Sally are successful real estate investors
- They would like to find a way to cash out of one of the properties and create an income stream for their lives, while benefitting a charity
- They have other assets that they want to use to take care of their family
- Their current income tax bracket is 37%. Current capital gains rate will be 23.8%



Investment
property

- Purchased in 2010
- Purchase Price: \$200,000
- Value Today: \$1,000,000
- Generates Net Income of \$50,000 annually
- Bill is age 70 and Sally is age 68

Sample illustration for illustrative purposes only.



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Charitable Remainder Trust: Example

Sale of property w/out strategy

Sale price	\$1,000,000
Realized capital gains	\$800,000
Capital gains taxes at 23.8%	\$190,400
Resulting proceeds	\$809,600

Sale of property with strategy

Sale price	\$1,000,000
Realized capital gains	\$0
Current tax deduction	\$259,640
Projected distributions to Bill/Sally	\$1,333,891 About \$66,700 /yr.
Projected charitable gift	\$1,781,459

*Assumes payout of 5% per year over 20 years, 4% annual income, 4% annual growth of trust assets

Sample illustration for illustrative purposes only.



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Federal Estate Tax Table

Table A—Unified Rate Schedule (Form 706 Inst.)

Column A Taxable amount over	Column B Taxable amount not over	Column C Tax on amount in column A	Column D Rate of tax on excess over amount in column A
\$0	\$10,000	\$0	18%
10,000	20,000	1,800	20%
20,000	40,000	3,800	22%
40,000	60,000	8,200	24%
60,000	80,000	13,000	26%
80,000	100,000	18,200	28%
100,000	150,000	23,800	30%
150,000	250,000	38,800	32%
250,000	500,000	70,800	34%
500,000	750,000	155,800	37%
750,000	1,000,000	248,300	39%
1,000,000	----	345,800	40%

What is the 2025 Fed. Est Tax Exclusion Amt? \$13.99m (\$27.98m Married)

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SINGLE TAXPAYER							
					➡	\$14,790,000	Gross Estate
					➡	less \$13,990,000	Fed. Est. Tax Exclusion
2025 Federal Estate Tax Rates						\$800,000	Taxable Estate
	Taxable Amount		Tax Rate	YOU OWE	PLUS	Tax p/level	Cume Tax
1	\$1	to	\$10,000	18%	\$0	18% on Amt over \$1	\$1,800
2	\$10,001	to	\$20,000	20%	\$1,800	20% on Amt over \$10,000	\$3,800
3	\$20,001	to	\$40,000	22%	\$3,800	22% on Amt over \$20,000	\$8,200
4	\$40,001	to	\$60,000	24%	\$8,200	24% on amt over \$40,000	\$13,000
5	\$60,001	to	\$80,000	26%	\$13,000	26% on Amt over \$60,000	\$18,200
6	\$80,001	to	\$100,000	28%	\$18,200	28% on Amt over \$80,000	\$23,800
7	\$100,001	to	\$150,000	30%	\$23,800	30% on Amt over \$100,000	\$38,800
8	\$150,001	to	\$250,000	32%	\$38,800	32% on Amt over \$150,000	\$70,800
9	\$250,001	to	\$500,000	34%	\$70,800	34% on Amt over \$250,000	\$155,800
10	\$500,001	to	\$750,000	37%	\$155,800	37% on Amt over \$500,000	\$248,300
11	\$750,001	to	\$1,000,000	39%	\$248,300	39% on Ant over \$750,000	\$19,500
12	\$1,000,001	+		40%	\$345,800	40% on Amt over \$1,000,000	\$267,800

On TAXABLE Estate – over all 33.4%

On Entire Estate – over all 1.81%

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JOINT TAXPAYERS					➡	\$14,790,000	Gross Estate
					➡	less \$27,980,000	Fed Estate Tax Exclusion
2025 Federal Estate Tax Rates						-\$13,190,000	Taxable Estate
	Taxable Amount		Tax Rate	YOU OWE	PLUS	Tax p/level	Cume Tax
1	\$1	to	\$10,000	18%	\$0	18% on Amt over \$1	\$0
2	\$10,001	to	\$20,000	20%	\$1,800	20% on Amt over \$10,000	\$0
3	\$20,001	to	\$40,000	22%	\$3,800	22% on Amt over \$20,000	\$0
4	\$40,001	to	\$60,000	24%	\$8,200	24% on amt over \$40,000	\$0
5	\$60,001	to	\$80,000	26%	\$13,000	26% on Amt over \$60,000	\$0
6	\$80,001	to	\$100,000	28%	\$18,200	28% on Amt over \$80,000	\$0
7	\$100,001	to	\$150,000	30%	\$23,800	30% on Amt over \$100,000	\$0
8	\$150,001	to	\$250,000	32%	\$38,800	32% on Amt over \$150,000	\$0
9	\$250,001	to	\$500,000	34%	\$70,800	34% on Amt over \$250,000	\$0
10	\$500,001	to	\$750,000	37%	\$155,800	37% on Amt over \$500,000	\$0
11	\$750,001	to	\$1,000,000	39%	\$248,300	39% on Ant over \$750,000	\$0
12	\$1,000,001		Or more	40%	\$345,800	40% on Amt over \$1,000,000	\$0
							\$ 0.00
On TAXABLE Estate – over all 0.0%					On Entire Estate – over all 0.0%		

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SINGLE TAXPAYER					➡	\$25,750,000	Gross Estate
					➡	less \$13,990,000	Fed. Est. Tax Exclusion
2025 Federal Estate Tax Rates						\$11,010,000	Taxable Estate
	Taxable Amount		Tax Rate	YOU OWE	PLUS	Tax p/level	Cume Tax
1	\$1	to	\$10,000	18%	\$0	18% on Amt over \$1	\$1,800
2	\$10,001	to	\$20,000	20%	\$1,800	20% on Amt over \$10,000	\$3,800
3	\$20,001	to	\$40,000	22%	\$3,800	22% on Amt over \$20,000	\$8,200
4	\$40,001	to	\$60,000	24%	\$8,200	24% on amt over \$40,000	\$13,000
5	\$60,001	to	\$80,000	26%	\$13,000	26% on Amt over \$60,000	\$18,200
6	\$80,001	to	\$100,000	28%	\$18,200	28% on Amt over \$80,000	\$23,800
7	\$100,001	to	\$150,000	30%	\$23,800	30% on Amt over \$100,000	\$38,800
8	\$150,001	to	\$250,000	32%	\$38,800	32% on Amt over \$150,000	\$70,800
9	\$250,001	to	\$500,000	34%	\$70,800	34% on Amt over \$250,000	\$155,800
10	\$500,001	to	\$750,000	37%	\$155,800	37% on Amt over \$500,000	\$248,300
11	\$750,001	to	\$1,000,000	39%	\$248,300	39% on Ant over \$750,000	\$345,800
12	\$1,000,001		+	40%	\$345,800	40% on Amt over \$1,000,000	\$4,004,000
							\$4,349,800
On TAXABLE Estate – over all 39.66%					On Entire Estate – over all 17.4%		

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JOINT TAXPAYERS						➡	\$25,750,000	Gross Estate
2025 Federal Estate Tax Rates						➡	less \$27,980,000	Fed Estate Tax Exclusion
							\$0.00	Taxable Estate
	Taxable Amount			Tax Rate	YOU OWE	PLUS	Tax p/level	Cume Tax
1	\$1	to	\$10,000	18%	\$0	18% on Amt over \$1	\$0.00	\$0.00
2	\$10,001	to	\$20,000	20%	\$1,800	20% on Amt over \$10,000	\$0.00	\$0.00
3	\$20,001	to	\$40,000	22%	\$3,800	22% on Amt over \$20,000	\$0.00	\$0.00
4	\$40,001	to	\$60,000	24%	\$8,200	24% on amt over \$40,000	\$0.00	\$0.00
5	\$60,001	to	\$80,000	26%	\$13,000	26% on Amt over \$60,000	\$0.00	\$0.00
6	\$80,001	to	\$100,000	28%	\$18,200	28% on Amt over \$80,000	\$0.00	\$0.00
7	\$100,001	to	\$150,000	30%	\$23,800	30% on Amt over \$100,000	\$0.00	\$0.00
8	\$150,001	to	\$250,000	32%	\$38,800	32% on Amt over \$150,000	\$0.00	\$0.00
9	\$250,001	to	\$500,000	34%	\$70,800	34% on Amt over \$250,000	\$0.00	\$0.00
10	\$500,001	to	\$750,000	37%	\$155,800	37% on Amt over \$500,000	\$0.00	\$0.00
11	\$750,001	to	\$1,000,000	39%	\$248,300	39% on Ant over \$750,000	\$0.00	\$0.00
12	\$1,000,001	+		40%	\$345,800	40% on Amt over \$1,000,000	\$0.00	\$0.00
On TAXABLE Estate – \$0.00						On Entire Estate – \$0.00		

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Washington State Estate Tax Table W

After all deductions & Adjustments – Cume Total

- 10% on the **first** \$1 million of assets \$100,000
- 15% on the **second** \$1 million \$250,000
- 17% on the **third** \$1 million \$420,000
- 19% on the **fourth** \$1 million \$610,000
- 23% on next **\$2** million of assets **\$1,070,000**
- 26% on the **seventh** \$1 million \$1,330,000
- 30% on the next **\$2** million **\$1,930,000**
- 35% on everything **over \$9 million**

\$9 million Taxable Estate would pay \$1,930,000 Tax (16.5%)

\$11 million Taxable Estate pays \$2,630,000 (24% overall)

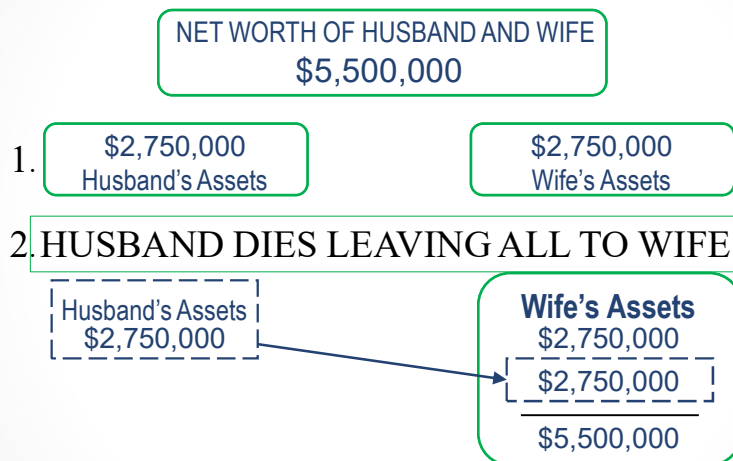
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Washington State Estate Tax

- After all deductions & Adjustments –
- **\$9 million Taxable Estate = \$1,930,000 Tax**
- What would the Federal Estate Tax be for a Single Taxpayer with an Estate of \$12,000,000?
- **\$0.00** The Federal Exemption excludes the first \$13,990,000 of Estate Value (2025)

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Typical Estate Scenario – 2025

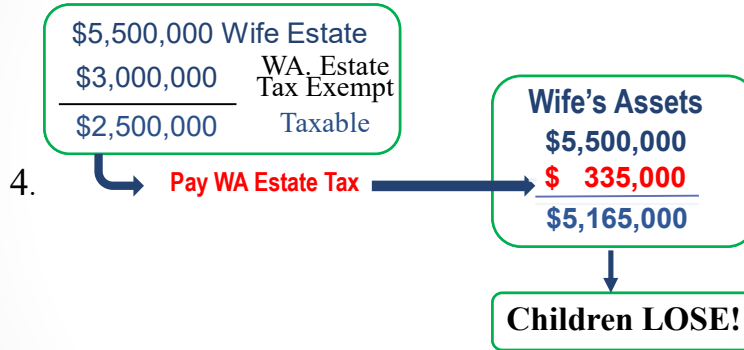


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Typical Estate Scenario – 2025

3. WIFE DIES LEAVING ALL TO CHILDREN



The **WA Estate Tax** of **\$335,000** can be avoided with a little bit of planning!

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Washington State Estate Tax Table

SINGLE TAXPAYER				\$5,500,000 Gross Estate			
Died before June 30, 2025				\$2,193,000 Less Exclusion			
2025 WA STATE Estate Tax Rates				\$3,307,000 Taxable Estate			
Taxable Amount		Tax Rate	YOU OWE	PLUS	Tax@level	Cume Tax	
\$1	to \$1,000,000	10.00%	\$0	\$10% of Amt over \$1	\$100,000	\$100,000	
\$1,000,001	to \$2,000,000	14.00%	\$100,000	14% of Amt over \$1,000,000	\$140,000	\$240,000	
\$2,000,001	to \$3,000,000	15.00%	\$240,000	15% of Amt over \$2,000,000	\$150,000	\$390,000	
\$3,000,001	to \$4,000,000	16.00%	\$390,000	16% of Amt over \$3,000,000	\$49,120	\$439,120	
\$4,000,001	to \$6,000,000	18.00%	\$550,000	18% of Amt over \$4,000,000	\$0	\$439,120	
\$6,000,001	to \$7,000,000	19.00%	\$910,000	19% of Amt over \$6,000,000	\$0	\$439,120	
\$7,000,001	to \$9,000,000	19.50%	\$1,100,000	19.5% of Amt > \$7,000,000	\$0	\$439,120	
\$9,000,001	+	20.00%	\$1,490,000	20% of Amt over \$9,000,000	\$0	\$439,120	

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Washington State Estate Tax Table

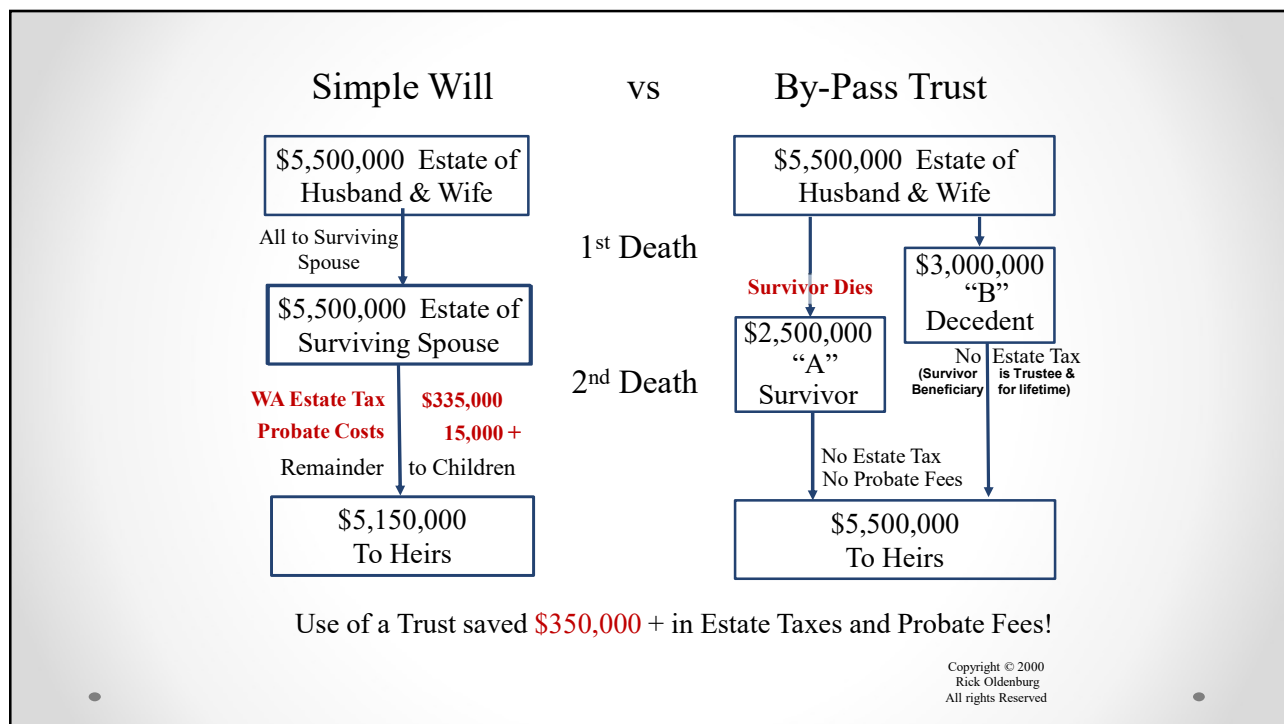
SINGLE TAXPAYER					\$5,500,000 Gross Estate		
Died after July 1, 2025					\$3,000,000 Less Exclusion		
2025 WA STATE Estate Tax Rates					\$2,500,000 Taxable Estate		
Taxable Amount		Tax Rate	YOU OWE	PLUS	Tax@level	Cume Tax	
\$1	to \$1,000,000	10.00%	\$0	\$10% of Amt over \$1	\$100,000	\$100,000	
\$1,000,001	to \$2,000,000	15.00%	\$100,000	15% of Amt over \$1,000,000	\$150,000	\$250,000	
\$2,000,001	to \$3,000,000	17.00%	\$240,000	17% of Amt over \$2,000,000	\$85,000	\$335,000	
\$3,000,001	to \$4,000,000	19.00%	\$390,000	19% of Amt over \$3,000,000	\$0	\$335,000	
\$4,000,001	to \$6,000,000	23.00%	\$550,000	23% of Amt over \$4,000,000	\$0	\$335,000	
\$6,000,001	to \$7,000,000	26.00%	\$910,000	26% of Amt over \$6,000,000	\$0	\$335,000	
\$7,000,001	to \$9,000,000	30.00%	\$1,100,000	30% of Amt over \$7,000,000	\$0	\$335,000	
\$9,000,001	+	35.00%	\$1,490,000	35% of Amt over \$9,000,000	\$0	\$335,000	

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Washington State Estate Tax Table

JOINT TAXPAYERS					\$5,500,000 Gross Estate		
Died July 1, 2025 or after					\$6,000,000 Less Exclusion		
2025 WA STATE Estate Tax Rates					-\$500,000 Taxable Estate		
Taxable Amount		Tax Rate	YOU OWE	PLUS	Tax@level	Cume Tax	
\$1	to \$1,000,000	10.00%	\$0	\$10% of Amt over \$1.00	\$0.00	\$0.00	
\$1,000,001	to \$2,000,000	14.00%	\$100,000	14% of Amt over \$1,000,000	\$0.00	\$0.00	
\$2,000,001	to \$3,000,000	15.00%	\$240,000	15% of Amt over \$2,000,000	\$0.00	\$0.00	
\$3,000,001	to \$4,000,000	16.00%	\$390,000	16% of Amt over \$3,000,000	\$0.00	\$0.00	
\$4,000,001	to \$6,000,000	18.00%	\$550,000	18% of Amt over \$4,000,000	\$0.00	\$0.00	
\$6,000,001	to \$7,000,000	19.00%	\$910,000	19% of Amt over \$6,000,000	\$0.00	\$0.00	
\$7,000,001	to \$9,000,000	19.50%	\$1,100,000	19.5% of Amt > \$7,000,000	\$0.00	\$0.00	
\$9,000,001	+	20.00%	\$1,490,000	20% of Amt over \$9,000,000	\$0.00	\$0.00	

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What is a Charitable Remainder Trust?

QUICK REVIEW

AND

PARTICULARS

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What is a Charitable Remainder Trust?

In its broadest sense, the concept and benefits of a CRT are similar to the Charitable Gift Annuity (CGA)

- *Irrevocable transfer* of property by donor
- Donor retains *right to receive income*, or creates "income interest" for a beneficiary
- Donor entitled to a *partial Charitable Income Tax Deduction in Yr. created* (Estate Tax Charitable deduction if created at death)
- *No immediate Capital Gain Tax* – on any highly appreciated long-term assets transferred into the Trust OR when sold by the trust (Stocks / Real Estate)
- Assets transfer to Charity at end of Trust term

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What is a Charitable Remainder Trust?

In other ways, the CRT is far more flexible than the Charitable Gift Annuity (CGA)

- *Donor chooses Trustee* (can be Trustee in most cases)
- *Charity can be Income Beneficiary*, as long as there is *one non-charitable beneficiary*
- CRT can *make distributions to charity from principal* if document permits
- *Donor chooses type of payment* (fluctuating or fixed)
- Assets transfer to Charity at end of Trust term
- Donor chooses Amount paid out (usually % of gift)
- Trust term can be 1) measuring life or lives 2) term of years not to exceed 20, or a combination

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What is a Charitable Remainder Trust?

More Flexible than CGA (2)

- *Trustee (donor?) can tailor investment strategy to meet unique needs of donor* (fiduciary responsibility to both income beneficiary and charity in all cases)
- *Donor can choose frequency and timing of payments* (monthly, quarterly, semi-annual, annual)
- *Donor can choose 1 or more charitable organizations to share in the trust principal at termination of trust*
- *Donor can reserve the right to change the charity or charities*

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What is a Charitable Remainder Trust?

ALL CRT's must adhere to these rules:

- *Percentage payout must be at least 5%*
(there is no practical reason for 5%, but was one of the drafting rules outlined in the Tax Reform Act of 1969 and has remained)
- *CRT charitable payout must be no greater than 50%*
- *The CRT "remainder interest" must be a minimum of 10% of the funding assets*
(these last two points came about in 1997 due to abuse by use of Accelerated CRTs and ended a tax avoidance scheme by donors with NO charitable intent)

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Appreciated Asset - Sale vs CRT sale

	SALE	Sale Inside a CRT	
ASSET	\$500,000	\$500,000	
BASIS	\$50,000	\$50,000	
CAPITAL GAIN	\$450,000	\$450,000	
TAX @ 15%	\$67,500	\$0	Difference
Left to Invest	\$432,500	\$500,000	\$67,500
Income @ 10%	\$43,250	\$50,000	\$6,750 p/yr.
Over 20 Yrs.	\$865,000	\$1,000,000	\$135,000

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Tax Deduction Sweetens the Deal !

Age	AFR = 2%	5% Payout	
Single Life	Donation	FACTOR	Deduction
75 year old	\$100,000	0.60109	\$60,109
2 Lives	Donation	FACTOR	Deduction
75/75	\$100,000	0.49171	\$49,171

Why is the factor for two lives less than for one life?
 What role does AFR rate play in tax deduction?
 CRT: Higher the AFR the larger the deduction!

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AFR Applicable Federal Rate [IRS 7520 Rate]
(is 120% the Federal Mid-Term Rate)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2025	5.2	5.4	5.4	5	5	5	5	4.8	4.8	4.6	4.6	
2024	5.2	4.8	5	5.2	5.4	5.6	5.4	5.2	4.8	4.4	4.4	5
2023	4.6	4.6	4.4	5	4.4	4.2	4.6	5	5	5.4	5.6	5.8
2021	0.6	0.6	0.8	1	1.2	1.2	1.2	1.2	1	1	1.4	1.6
2014	2.2	2.4	2.2	2.2	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.0
2013	1.0	1.2	1.4	1.4	1.2	1.2	1.4	2.0	2.0	2.4	2.0	2.0
2012	1.4	1.4	1.4	1.4	1.6	1.2	1.2	1.0	1.0	1.2	1.0	1.2

Highest AFR – April & May 1989 **11.6%**

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Applicable Federal Rate (AFR)

- Rate of the month for November is 4.6%
 - First prior month: October is 4.6%
 - Second prior month: September is 4.8%

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Applicable Federal Rate (AFR)

- **Select high AFR**
 - Charitable Remainder Annuity Trust
 - Charitable Remainder Unitrust
 - Charitable Gift Annuity (if large income tax deduction desired)
- **Select low AFR**
 - Charitable Lead Trust
 - Gift of remainder interest in residence/farm
 - Charitable Gift Annuity (if large tax-free payout desired)

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Two Flavors of CRTs

- Charitable Remainder *Annuity* Trust (CRAT)
Pays a specified income amount to the named income beneficiary for:
A. Life or B. Term of Years
 - Charitable Remainder *Unitrust* (CRUT)
Pays a specified % of current asset value to the income beneficiary for:
A. Life or B. Term of Years
- **More complicated than a CGA – expensive to setup & administer – think \$100,000 min. in assets

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CRT TYPE 1 – Similar to CGA

Charitable Remainder Annuity Trust (CRAT)

- 1. Donor *wishes to benefit a charity* or charities
- 2. Donor does not want to or can't afford to make an outright donation right now
(*needs assets while still living*)
- 3. Because of circumstances – *needs an income stream* as long as s/he is still living.
- 4. More *interested in a guaranteed payment* than missing opportunity for “gain” in a **bull** OR suffering asset losses in a **bear** market.

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Charitable Remainder Annuity Trust

Charitable Remainder Annuity Trust (CRAT)

- 5. Donor *gives up all claim to the remainder value*
- 6. *Makes an irrevocable contract* with the charity or Annuity Company (can reserve right to change the charitable remainder organization)

Ex. Donor transfers \$100,000 to a 6% annuity trust

	Mrkt Value	Ann. Income	Payout to Beneficiary
Yr 1	\$100,000	+ \$4,500	- \$6,000
Yr 2	\$ 95,000	+ \$3,800	- \$6,000
Yr 3	\$120,000	+ \$7,000	- \$6,000
Yr 4	\$125,000	+ \$5,265	- \$6,000

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Charitable Remainder Annuity Trust

Charitable Remainder Annuity Trust (CRAT)

Two factors are crucial to a CRAT

- 1. *Age of the donor*
- 2. *Percentage (or amount) of the payment*
- It may be logical to offer an 8% payout to a 95 year old – but may not be sustainable if the age is 50.
- TWO tests must be met – *10% of the Orig. donation must be intact to transfer to Charity* AND the Trust must have *LESS than 5% chance of going bust*; If either test is failed, donor does NOT get a tax deduction for setting up the Trust.

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CRT Type 2 - Charitable Remainder Unitrust

Charitable Remainder Unitrust (CRUT)

5 kinds of Unitrust – we will just cover the Regular

- 1. As with the CRAT, a) when trust earns *MORE* than needed to payout, *excess adds to principal*
b) when *LESS* than needed, trustee invades principal to make the required payment
- 2. Unlike the CRAT: The *payment is based on a percentage of the total trust value* and therefore fluctuates
- 3. Trusts must be *valued annually on the last day of the fiscal year*

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Charitable Remainder Unitrust

Charitable Remainder Unitrust (CRUT)

- 4. Donor *gives up all claim to the remainder value*
- 5. *Makes an irrevocable contract* with the charity
(can reserve right to change the charitable remainder organization)

Ex. Donor transfers \$100,000 to a 6% Unitrust

	Mrkt Value	Ann. Income	Payout to Beneficiary
Yr 1	\$100,000	+ \$4,500	- \$6,000
Yr 2	\$ 95,000	+ \$3,800	- \$5,700
Yr 3	\$120,000	+ \$7,000	- \$7,200
Yr 4	\$125,000	+ \$5,265	- \$7,500

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CRATs vs CRUTs

Ex. Donor transfers \$100,000 with 6% Payout

	Mrkt Value	Ann. Income	Annuity	Unitrust
Yr 1	\$100,000	+ \$4,500	- \$6,000	- \$6,000
Yr 2	\$ 95,000	+ \$3,800	- \$6,000	- \$5,700
Yr 3	\$120,000	+ \$7,000	- \$6,000	- \$7,200
Yr 4	\$125,000	+ \$5,265	- \$6,000	- \$7,500
		TOTAL	\$24,000	\$26,400

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Charitable Remainder Unitrust

Charitable Remainder Unitrust (CRUT)

- A. Provides a *hedge against inflation*
- B. *Size of the annual payment is tied to market value of the trust assets*
- C. Both the Charity and the income beneficiary share the risk, but stand to benefit over the long-run as well
- D. CRUT makes payments based on a total return concept because the Charitable Trust generally pays no tax on the sale of trust investments

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How about a real-life Example?

- **This example is easy to explain, and easy for the donor to understand**
- **It is called the 10 / 10 Trust**
- **Here's the scenario -**

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I'd like to continue supporting your organization after I'm gone, but . . .

"I won't disinherit my kids!"

- Worked so hard to **MAKE** the money that I was never home while they grew up (feelings of guilt)
- When I die, the least I can do is give them the benefit of my labor (I can buy-back their affection)

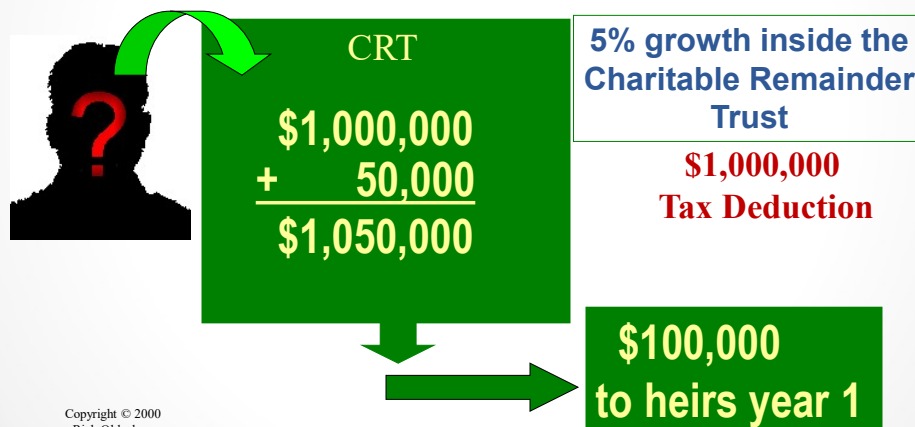
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I Won't Disinherit My Kids!

- 10 / 10 Trust may be perfect

(Pay 10% p/yr. for 10 years – 100% return of principal)

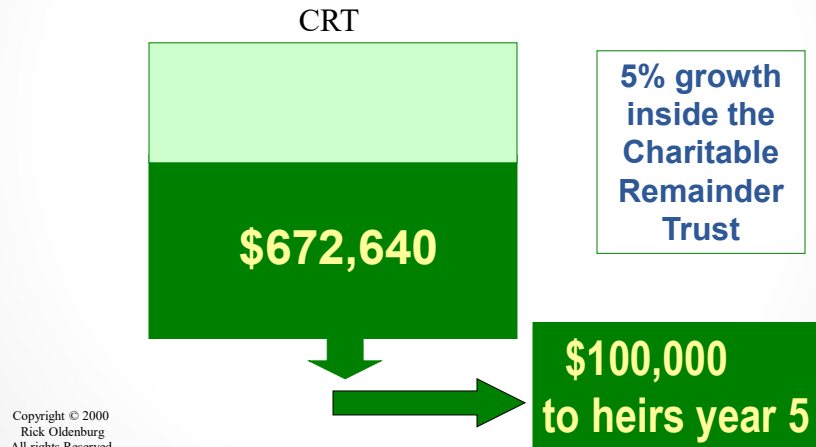


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I Won't Disinherit My Kids!

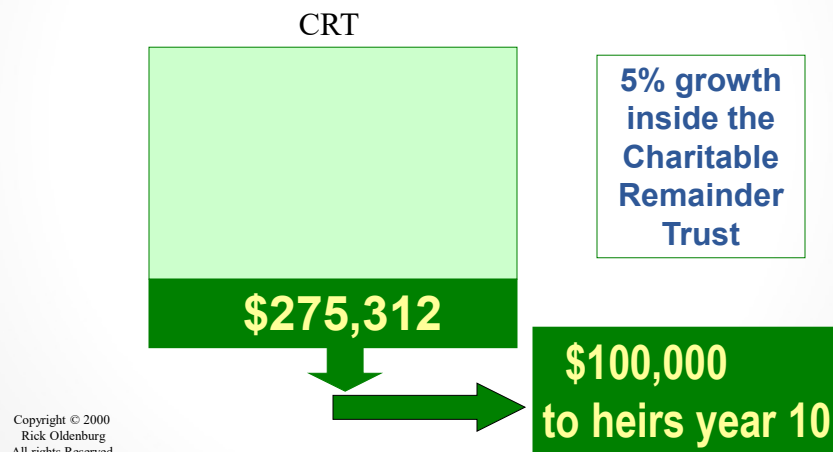
- 10 / 10 Trust



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I Won't Disinherit My Kids!

- 10 / 10 Trust

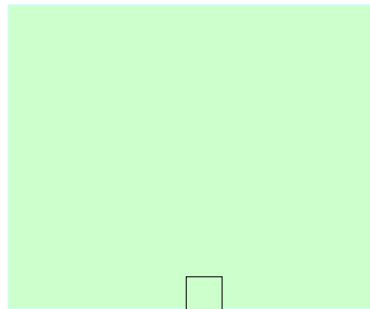


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I Won't Disinherit My Kids!

- 10 / 10 Trust

CRT



**5% growth
inside the
Charitable
Remainder
Trust**



\$275,312 to Charity

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Charitable Remainder Trusts

The Basics of Planned Giving for Generalists – 2025

Rick Oldenburg, CAP®

Oldenburg & Associates
Principal, Senior Gift Planning Strategist

(253) 691-3195

rick-work@oldenburg.ws



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CGA's & Remainder Interests

The Basics of Planned Giving for Generalists

FRIDAY Nov. 7, 2025 Session 4

Doug Page, CAP

Senior Legacy Advisor
Greater Tacoma Community Foundation



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The End
or
The Beginning . . .



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