

## HOW TO ESTABLISH A CHARITABLE TRUST...

While local institutions, such as a bank, a diocese, a church, or even an individual, can serve as a trustee, the Episcopal Church Foundation is organized to provide both helpful information and to serve as the trustee to help the donor at all stages in setting up a charitable remainder trust.

Charitable remainder trusts are individually managed by ECF, with a minimum of \$250,000 or more.

Please call the Episcopal Church Foundation toll-free at (800) 697-2858 to talk with an ECF representative about the details of establishing a trust. After receiving some basic information, ECF can prepare a detailed analysis showing the potential income and tax savings that you can achieve through a charitable remainder trust.

In addition, ECF retains the services of a law firm that specializes in charitable remainder trusts. Initial drafts of trust instruments that can be reviewed by the donor's attorney are available at no cost.

The attorneys on retainer to ECF act on its behalf. Donors should consult with their own attorneys to make sure that their interests are protected. ECF attorneys, however, specialize in all types of charitable trusts and can often draft documents that can be reviewed by the donor's attorney at a much lower cost than if the donor's attorney had drafted the documents entirely.

*A charitable trust is an exceptional tool for a wise and faithful steward.*

*"Commit your work to the Lord."*

*—Proverbs 16:3*

A trust is a useful estate planning tool that allows you to ensure the financial well-being of your family and, if appropriate, provide a significant planned gift to your church.

A trust, in its simplest form, is the holding of legal title to property by one party (the trustee) for the benefit of another (the beneficiary).

ECF's Planned Giving program was established to facilitate and simplify the process of creating a charitable trust for Episcopalians.

## RESOURCES AVAILABLE

### BROCHURES

- *Planned Giving (overview)*
- *Charitable Gift Annuity*
- *Charitable Remainder Trust*
- *Pooled Income Fund*
- *Writing Your Will*
- *Donor-Advised Fund (DAF)*

### DETAILED BOOKLETS

- *Planned Giving (overview)*
- *Charitable Gift Annuity*
- *Charitable Remainder Trust*
- *Pooled Income Fund*
- *Planning for the End of Life*
- *Donor-Advised Fund (DAF)*

*This series of gift planning brochures was developed by the Episcopal Church Foundation. The church, the writers, and publishers of this material are not engaged in rendering legal or tax advice. For advice and assistance in specific cases, please consult an attorney or professional counselor.*

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## CHARITABLE REMAINDER TRUST



*Help  
loved ones  
and the  
Church.*

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## HOW IT WORKS...

Any trust can serve several important estate planning purposes:

- It can remove assets from an estate, helping to reduce probate expenses and possibly estate taxes. A relatively simple by-pass trust often saves considerable sums in estate taxes.
- It can provide an income to you and/or your designated survivor(s) for life (or for a set number of years).
- It can secure professional management of your assets, protecting beneficiaries who are too young or who do not have business or financial expertise.
- It can enable assets to move swiftly, smoothly, and confidentially into the hands of the desired recipient(s) because the assets escape probate.
- It can manage your assets with others, usually resulting in a reduced management fee and increased potential for a higher rate of return.
- Trusts are either made while the donor is living, or testamentary, made through one's will.
- Trusts are either irrevocable (meaning they cannot be withdrawn or altered) or revocable (meaning they can be changed during the lifetime of the grantor). Most charitable gifts are made through irrevocable trusts since the irrevocable nature of the gift results in tax savings.

- Revocable living trusts allow the donor to name their parish, diocese, or Episcopal organization as the final beneficiary, but preserve the right to "revoke" the trust or change the beneficiary. Although a revocable trust does not achieve income tax or capital gains tax savings, it may provide income, professional management of the assets, and a savings in estate taxes, if structured properly.

## CAN A TRUST HELP MY LOVED ONES AND THE CHURCH?

Yes. Trusts can be used as estate planning tools, or they can be used to make a gift to the church.

## FEATURES OF A REMAINDER TRUST

- The minimum amount required to establish a trust with ECF is \$250,000.
- The minimum age to set up a trust is 50.
- Trusts can be funded with cash, real estate, stocks (including closely held stock), bonds, or mutual funds. Appreciated assets are often used to fund

charitable trusts since capital gains taxes can be minimized.

Donors creating a charitable remainder trust gain all the advantages of the trust listed above, plus they gain significant income and estate tax savings.

A charitable remainder trust pays the donor and/or the named beneficiaries for life. At the death of the final income beneficiary, the assets of the trust pass on to the church and/or selected charities.

The trust is irrevocable and may be set up during the lifetime of the donor, or it may be created at the death of the donor for the benefit of the donor's heirs or other person(s).

Generally there are two types of charitable remainder trusts: the charitable remainder annuity trust and the charitable remainder unitrust, each with distinctive features and advantages.

Your local church, your diocese, national and international mission work of the Episcopal Church, Episcopal schools, Episcopal charities or organizations affiliated with the Episcopal Church can receive the remainder of your trust. You name the recipients of

your gift at the time you establish the trust.

As long as 51 percent of the charitable remainder trust is designated to Episcopal organizations, the rest may be left to non-Episcopal organizations, such as your college.

To offset legal costs, trusts originally valued at \$500,000 or less, 5% of the remainder value must be designated to ECF; for trusts over \$500,000, 3% of the remainder must be designated to ECF.

### An example...

*John and Betty have been faithful members of their church all their lives. Now in their early seventies, they need additional income, but would also like to make a substantial gift to their church.*

*Their financial advisor suggests that they take the \$300,000 worth of appreciated stock that they own and create a charitable remainder trust. The trust is established, the stock is sold and reinvested in appropriate investment vehicles.*

*They avoid thousands of dollars in capital gains taxes, receive income, and also receive an income tax deduction in the year the gift was made. They also may reduce estate and inheritance taxes. At their deaths, the remainder of the trust goes to the church.*

*The charitable remainder trust gives John and Betty an exceptional means to be wise and faithful stewards in managing God-given assets for the benefit of both their family and their church.*

*"And the Lord said, 'Who then is the faithful and wise steward, whom his master will set over his household, to give them their portion of food at the proper time?'"*

—Luke 12:42