Customize Your Gift

Use a Charitable Remainder Unitrust

Your Gift, Your Goals

Besides making a gift to support the well-being of older adults at Presbyterian Communities of South Carolina, you may have other personal goals.

- ✓ Do you also want your gift to pay you or a loved one lifetime income?
- ✓ Do you want to avoid unnecessary taxes?

You can create a gift plan that will accomplish all these goals!

Here is an introduction to two of the most flexible and donor-friendly planned gifts you can make:

- the Charitable Remainder Unitrust
- the Charitable Remainder Annuity Trust.

These are powerful planning tools that can help you meet multiple financial and family needs and make a significant charitable gift to PCSC at the same time. Use them to ***customize*** the gift that will deliver the most benefits to you, your loved ones, and PCSC.

How do Charitable Remainder Trusts work?

1. You transfer cash, securities or other appreciated property into a trust.
2. The trust pays income to you and/or other beneficiaries that you name, for life or for a term of years (maximum 20). In a **Unitrust**, your income is a fixed percentage of the value of the trust, which is revalued annually. In an **Annuity Trust**, the income amount is unchanging – it's a fixed percentage of the initial value of the assets that funded the trust.
3. When the trust terminates, we apply the remaining balance to the use you designated at PCSC when you created the trust.

What are the tax advantages?

If you fund your trust with appreciated securities or other appreciated property, you pay no up-front capital gains tax. You can contribute low-yielding assets and put the entire amount of your gift to work for you.

Besides avoiding capital gains tax, you also receive a charitable deduction when you create a Charitable Remainder Trust. Your deduction will be based on the full fair market value of the assets you contribute, minus the present value of the income interest you retain.

Planning notes:

- Unlike a Charitable Gift Annuity, a Unitrust or Annuity Trust may have *more than two* income beneficiaries. (Remember, though, that increasing the income payout from your trust decreases the charitable deduction it provides.)
- A Unitrust may be structured to accept a contribution of a temporarily illiquid asset, such as investment real estate or closely-held stock. You will receive an immediate charitable deduction, based on the asset's fair market value, and the Unitrust will pay you net income only until the asset is sold.

Continued…

Options for customizing your Charitable Remainder Trust

❶ *Invest your gift for growth*

Unitrust earnings in excess of the percentage paid to you are reinvested in the trust to maintain principal and allow for growth. No capital gains tax is applied to the internal growth of the principal of a Unitrust. Therefore, given reasonable investment guidelines and performance, you can expect to receive a percentage of the value of a trust that is gradually growing over time.

But you can design a Unitrust to deliver *more* growth. The "Flip" Unitrust can be funded today and initially invested for capital appreciation, paying you net income only. Instead, the trust is focused on growing *tax-free*. Then, when a pre-determined event such as your 65th birthday occurs the trust "flips" to a standard Unitrust and begins paying you a fixed percentage of the now much-larger principal – at no capital gains cost to you.

❷ *Target trust income for short-term needs*

A Unitrust or Annuity Trust can be set up to run for a limited term of years. This shorter income-payout period increases your charitable deduction, and often permits a higher income rate than would be available for a trust that runs for the beneficiaries' lifetime.

Short-term trusts make an excellent source of supplemental income to help pay children's or grandchildren's tuition. If trust income is paid directly to children, it will be taxed at their low marginal tax rates. Tuition trusts allow you to address a particular financial need of your children without committing yourself to paying them income for their lifetimes. And, these charitable trusts allow you to use the same funds both to help your family and to make a significant gift to PCSC.

❸ *Save on income tax twice*

Because they must make fixed, regular payments, Annuity Trusts are not as flexible as Unitrusts – they can't invest solely for growth, pay net income only, or accept contributions of illiquid assets. However, Annuity Trusts are particularly well suited to accept gifts of long-term tax-free bonds.

If you hold tax-free bonds, you can place them in an Annuity Trust and claim a charitable deduction based on their fair market value. The Annuity Trust then passes the bonds' tax-exempt income through to you and your beneficiaries. This gives you *two* tax benefits associated with these tax-free bonds.

The next step

We can show you how a Unitrust or Annuity Trust can meet many of your financial goals. If you decide that a charitable remainder trust is right for you, you will need an attorney to draft the trust.

Please reach out to us for more information:

William McConnell
Director of Foundation Services
and Church Relations
(803) 365-0844
William.McConnell@PresComm.org

As always, talk to your legal, financial or tax advisor for advice specific to your circumstances.

PRESBYTERIAN COMMUNITIES OF SOUTH CAROLINA

A compassionate Christian ministry dedicated to enriching the quality of life for seniors of all faiths

PCSC FOUNDATION

A 501(c)(3) non-profit that receives and manages charitable gifts given to support the mission and ministry of Presbyterian Communities of South Carolina