



Charitable Remainder Trusts at Abilene Christian University

Gifts that help you and your family achieve many goals



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Gifts that help you and your family achieve many goals

Trusts are flexible planning tools that can be used to accomplish a number of personal goals. For example, they can be used to provide for management of assets now or in the future before eventually distributing funds to other beneficiaries. **Charitable remainder trusts** (CRT) are a type of trust offering a way to make a future gift to Abilene Christian University after first providing a source of fixed or variable income for yourself and/or others.

Once established, the income stream from a CRT usually runs for the life of the named beneficiaries; however, a term of years (not to exceed 20) can be designated as the payout period and can be an excellent tool for assisting with specific future expenses.

After the income payments have been completed, the “remainder” is distributed to ACU. CRTs are usually funded with highly appreciated, low-yield assets. This typically includes stocks and real estate, but may include other types of assets.

Benefits of a charitable remainder trust include:

- Making a deferred gift to ACU.
- Bypassing of capital gain taxes.
- Potentially increasing regular income.
- Receiving a current charitable income tax deduction.
- Receiving an estate tax deduction.



Investing your trust

When Abilene Christian serves as trustee of a charitable remainder trust, the trust is managed by the university's award-winning investment team. There are various options for how the trust can be invested, and ACU will consult with you on which plan best fits your trust goals.

Seeing a Charitable Remainder Trust in Action

Example:

1. William Wildcat is 75 years old, and he decides to place assets valued at \$100,000 in a charitable remainder unitrust.
2. William wants lifetime payments from the trust at 6 percent. In the first year, William will receive \$6,000 (equal to 6 percent of \$100,000). Each year thereafter, the income will fluctuate because the trust funds will be invested. That means William's 6 percent also will fluctuate annually based on the value of the trust each year.
3. William's gift will result in an immediate charitable income tax deduction of \$54,915. (The charitable income tax deduction may be carried forward for as many as five years if the deduction is more than can be used in the year of the gift.)
4. At the end of William's life, the amount remaining in trust will be transferred to Abilene Christian University to further its mission.

For more information, please contact:

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How Does it Work?

Charitable remainder trusts benefiting ACU fall into two main categories: annuity trusts and unitrusts.

Annuity trust

The annuity trust pays a fixed percentage (at least 5 percent) of the initial fair market value of the trust assets. These income payments are made to the designated income beneficiaries. The annuity payment is fixed and will not increase or decrease, regardless of the value of the trust principal.

Income payments may be made quarterly, semi-annually or annually. Additionally, an immediate charitable income tax deduction is given upon the establishment of an annuity trust.

Unitrust

The unitrust is similar to the annuity trust, but more flexible. Unitrusts pay a fixed percentage (at least 5 percent) of the trust's principal based on its value determined annually. Therefore, growth in the trust principal results in an increase in the income payments made to the donor (or other designated income beneficiaries). This payment, based on an annual evaluation, allows the opportunity to protect income payments from the erosion of inflation. As in the case of an annuity trust, a charitable income tax deduction is available.

Once established, a donor may choose to make future gifts by adding to an existing unitrust. A charitable income tax deduction would accompany each additional gift.

Additionally, your trust can also be structured as a combination, or "flip," unitrust. A flip unitrust is a good option when an illiquid, non-income producing asset – such as real estate or closely held stock – is being used to fund a charitable remainder unitrust. The trust agreement for the flip trust provides that the trust begins as a net income unitrust, paying only any actual earnings (for example, rents from real estate) to the income beneficiaries. The trust agreement further provides that at a date in the future, such as on the date of the sale of assets used to fund the trust, the trust "flips" to a standard unitrust. As of Jan. 1 after the flip date, the unitrust pays the income beneficiaries the unitrust percentage multiplied by the fair market value of the trust assets, revalued each year. A flip unitrust also may be a good option if you wish to plan for retirement because the flip date could be set for a date when you expect to retire.



Finding Your Mission at ACU

The mission of ACU is to prepare students for Christian service and leadership throughout the world, and each day faculty and staff work to educate students to live out this mission. A gift through a CRT helps guarantee ACU will have the funds available to educate future generations of servant leaders. Your CRT can be structured to support student scholarships, special programs or the general operating fund of the university. Abilene Christian will work with you to ensure your gift will create a lasting impact.

A Charitable Remainder Trust Might Interest You If ...

You want to make a gift to ACU and you:

- Want to receive an income for life, based on a percentage of the fair market value of the trust investments, revalued each year.
- Have assets that you are able to give away. Assets that work especially well include:
 - Cash or funds earning low interest rates.
 - Appreciated securities.
 - Appreciated real estate, including a vacation home or investment property.
 - Your personal residence if you are planning a move.
- Have a large part of your portfolio in one company and want to diversify your investments.
- Would like to have a charitable remainder unitrust managed by the ACU's award-winning investment team.

