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# The Advanced Planner

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## The Charitable Remainder Trust and Real Estate

In today's uncertain economic climate, many individuals, couples and organizations with real estate holdings are looking to diversify their investment portfolios. They may be tired of dealing with the property management issues associated with owning commercial or rental property. Or they may have a piece of highly appreciated raw land they would like to turn into an income stream but hesitate to do so because of the capital gains tax.

**By gifting that property to a Charitable Remainder Trust, they could benefit from:**

- **An immediate income tax deduction;**
- **An increased lifetime income;**
- **Avoidance of capital gains tax on the sale of a highly appreciated piece of property;**
- **Having assets removed from their taxable estate;**
- **Providing a substantial gift to a local charity they want to support; and**
- **Peace of mind knowing their estate plans will accomplish their personal and financial goals.**

Considering these benefits, you can readily understand how this powerful planning technique helps meet the needs of our supporters and the community.

This issue of *The Advanced Planner* examines a life income gift using a charitable remainder trust, to illustrate how this tool helps meet the needs of our supporters and the community. We hope that you will find this information helpful to your practice and your clients.

If you would like more information about the local works supported by the Foundation, Charitable Remainder Trusts, or other planned gift arrangements, please let us know. We are happy to be of any assistance to you.

*Jeanine Bourgeois-Hedman*  
*President*

*Bill Altavilla*  
*Planned Giving Specialist*

Mercy Foundation North is a philanthropic organization raising funds to support the Sisters of Mercy's healthcare, educational and social ministries in the north state. Three not-for-profit hospitals and two social service organizations are among the healing endeavors sponsored by the Sisters of Mercy, and all are part of Catholic Healthcare West: Mercy Medical Center Mt. Shasta; Mercy Medical Center Redding; St. Elizabeth Community Hospital; Shasta Senior Nutrition Programs, Inc.; and Golden Umbrella.

## Case Study

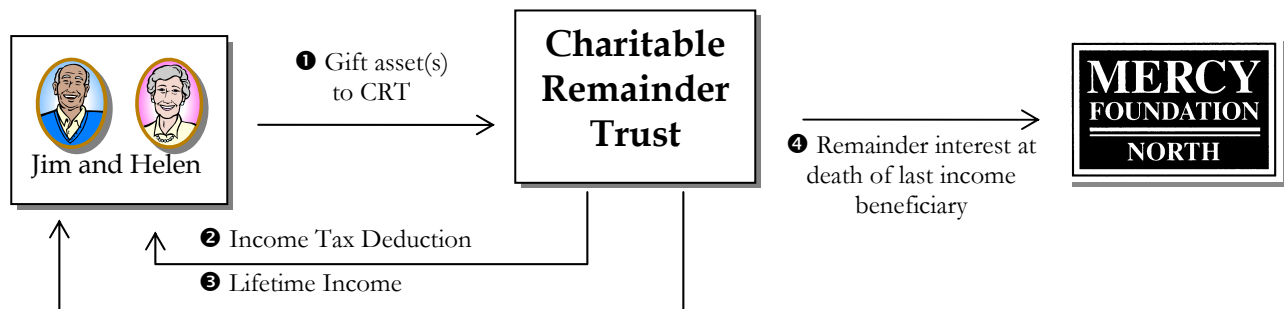
The **Charitable Remainder Trust** (CRT) is a powerful and flexible planning technique that can be used to achieve a client's retirement income, estate planning, and philanthropic goals. How? There are several varieties of CRTs available to donors that, when properly drafted and funded, enable them to tailor the trust specifics to their personal circumstances and goals.

Briefly, here's how it works: The donors irrevocably gift their property to a specially drafted trust and retain the right to receive an income from the trust for life. The trustee sells the property and reinvests the proceeds for income and growth. The gift generates an immediate income tax deduction. The donors receive an annual income for life. And finally, when the donors (as income beneficiaries) pass away, the charity that the donors named in their document receives the remainder of the trust assets.

It is important that the members of the planning team (the donor, the estate planning attorney, the CPA, the financial advisor, the realtor, the family, and even the charity) understand the plan and the steps involved, so we recommend keeping everyone involved and the communication lines open.

Best of all, when the plan comes together and the donors make their gift to the trust, they can expect to receive some significant benefits: an **income tax deduction** equal to about 20 to 60 percent of the appraised value of the property (depending upon their age and the trust payout rate); the **ability to sell the property without paying a capital gains tax** on the sale; an **income from the trust for life**; and the **ability to make a difference in their community** through their gift at the maturity of the trust.

Here is what the process looks like:



**Details, details, details...** There are certain details that have not been addressed in this brief overview. There should be little or no debt on the property, a qualified appraisal is required, the minimum payout is 5% per year and the charitable deduction can not be less than 10% of the value of the gift. We would be happy to answer any questions that you may have.

## Do you need more information?

**Proposal/Illustrations Available:** We can provide a confidential proposal for any interested advisor or individual(s). Please contact our office at (530) 247-3424.

*The information provided herein is to assist you in planning for your future. Proper tax and legal advice should always be obtained.*