



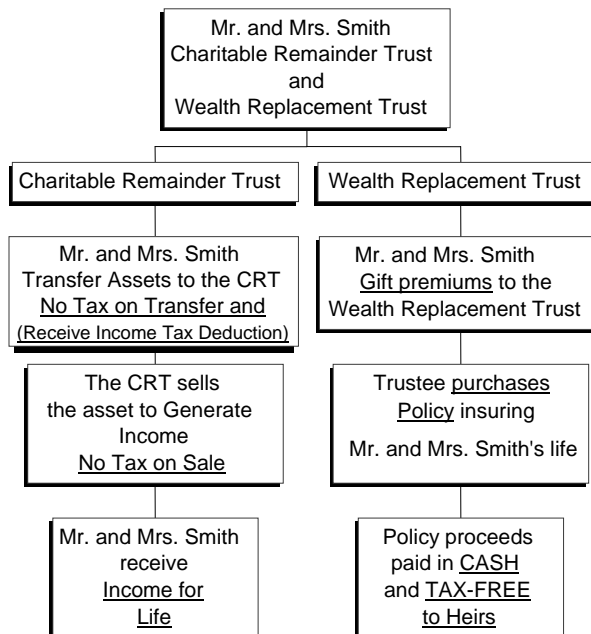
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FLIP Charitable Remainder Trust

A Charitable Remainder Trust (CRT) can address many personal financial goals while providing the ability to make a significant gift to the qualified charitable organizations of your choice. Anyone who is subject to paying capital gain taxes on appreciated assets, whose estate is subject to estate taxes, who would like to benefit charity, and who has a need for income is a candidate to benefit greatly from a CRT.

How does a FLIP Charitable Remainder Trust Work?

Charitable Remainder Trust



A FLIP Charitable Remainder Trust is an irrevocable, tax-exempt trust with two parts and two phases: 1) the income interest, and 2) the remainder interest. The income interest is the income paid to the individuals who established the trust (or their designated beneficiaries) for their lifetime or a term of years. The FLIP CRT also has two phases: In the initial phase, a Flip CRT acts like a Net Income with make-up unitrust (NIMCRUT) and only distributes the trust's accounting income to the income beneficiaries. In the second phase, following the occurrence of a predetermined triggering event, the trust switches, or flips to a standard charitable remainder unitrust and pays out a fixed percentage of the trust's annual fair market value. The remainder interest is the value remaining in the CRT when the trust terminates. The remainder interest is given to the qualified charitable organizations of the donor's choice as specified in the trust document. Some donors would like to replace the gifted asset with a tax free transfer using the Wealth Replacement Trust.

Jeanine Bourgeois-Hedman
President

Bill Altavilla
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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 are part of Catholic Healthcare West: Mercy Medical Center Mt. Shasta; Mercy Medical Center Redding; St. Elizabeth Community Hospital; Shasta Senior Nutrition Programs; and Golden Umbrella.



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What are the benefits of FLIP CRTs?

1. **Tax-Free Transfer and Sale:** Through a Charitable Remainder Trust, appreciated assets may be sold free of income and capital gains tax. The full values of the transferred assets are available to pay income to the donor(s) for the term of the trust.
2. **Immediate Income Tax Deduction:** A gift to a CRT can provide a current income tax deduction that can be used to offset all forms of income.
3. **FLIP Triggering Events:** The change in the payout method commences on January 1st of the year following the triggering event. Permissible triggering events include:
 1. The *sale of an unmarketable asset*;
 2. A *date certain*; (possibly a retirement date)
 3. The *birth* of any person;
 4. The *death* of any person;
 5. The *marriage* of any person;
 6. The *divorce of any person*; or
 7. An *event outside the control* of the trustees or any other persons
4. **Increased Cash Flow:** A highly appreciated asset that generates little or no income, but if sold, the capital gains tax would consume a large percentage of the asset, is an ideal asset to fund a CRT. The ability to sell the asset free from capital gain taxes enables a Charitable Remainder Trust to generate more income.
5. **Cash Flow Planning:** With careful design and investment management, the CRT can defer income for later distribution. This feature enables possible accumulation of income for retirement planning or for intermittent financial needs that may occur along the way. Income deferral can also enhance the value of the ultimate charitable gift.
6. **Asset Management:** Among other things, retirement denotes reduction of management responsibilities, not only in the work place, but also with personal assets. The CRT not only provides the means to dispose of management intensive assets, it also supplies a mechanism to provide professional asset management during a person's later years when it may be most needed or desired.
7. **Gift and Estate Tax Planning:** The Charitable Remainder Trust offers you an effective alternative to the payment of gift and estate taxes. Amounts transferred to a CRT are not generally subject to gift or estate taxes. The combination of capital gains tax, gift tax and estate tax avoidance can be very compelling for those who wish to control their social capital.

In addition to the gift and estate tax savings generated by the trust itself, the cash flow created by the CRT can be coordinated with other estate planning techniques. The most common combination involves gifts of cash from the donors to a Wealth Replacement Trust, also known as an irrevocable life insurance trust, or directly to family members who then use the gifts to purchase life insurance. This concept enables the donors a chance to provide a significant legacy to charity without the disinheritance of heirs.

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