



2400 Washington Avenue, Suite 410
 Redding, CA 96001
 Phone: (530) 247-3424
 Fax: (530) 247-3418
www.supportymercynorth.org

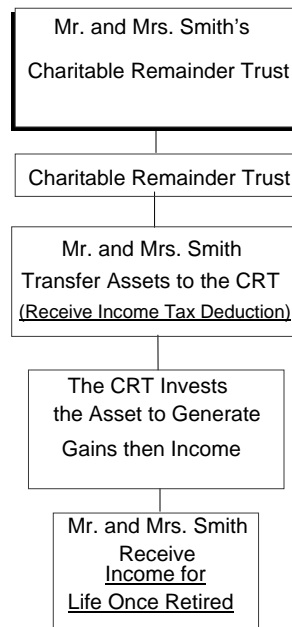
Retirement Charitable Remainder Trust

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. CRTs can be used to augment a current retirement plan. By setting one up in peak earning years, contributions can be made to a CRT and invested in zero coupon bonds, non-dividend paying growth stocks, or professionally-managed variable annuities. This will allow growth of the trust corpus without taking income from the trust.

By letting the CRT grow without taking income from it during the early years, the CRT can begin making payouts once the income beneficiaries retire. These payouts can include make-ups for any shortfalls in income you did not receive earlier. Unlike IRAs or 401(k) plans, there are no limits on how much you can contribute. Anyone 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 Retirement Charitable Remainder Trust Work?

Charitable Remainder Trust



A Retirement Charitable Remainder Trust is an irrevocable, tax-exempt trust with two phases: 1) the contribution phase, where annual contributions are made to the trust and tax deductions are taken, and 2) the distribution phase, where once retired, distributions can start from the trust based on investment earnings and investment changes inside the trust. As in all CRTS, there is an income interest and the income is paid to the individuals who established the trust (or their designated beneficiaries) for their lifetime or a term of years. 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.

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; and Golden Umbrella.



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What are the benefits of Retirement CRTs?

1. **Retirement Trust:** Upon retirement, the income beneficiaries can begin to take income. By changing the investment inside the trust to income producing asset(s), which earn ordinary income, the ordinary income can be distributed to the income beneficiaries. If an annuity is used as the investment vehicle, it will shield income during the pre-retirement phase. Distributions made from the annuity which are ordinary income can be distributed.
2. **Tax-Free Transfer and Sale:** Through this Charitable Remainder Trust, additional appreciated assets may be transferred and 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.
3. **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.
4. **Increased Cash Flow:** If an additional contribution, a highly appreciated asset, is transferred to the trust, which generates little or no current income, but if sold, the capital gains tax would consume a large percentage of the asset, this is an ideal asset to fund a CRT. The ability to sell the asset free from capital gains 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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