



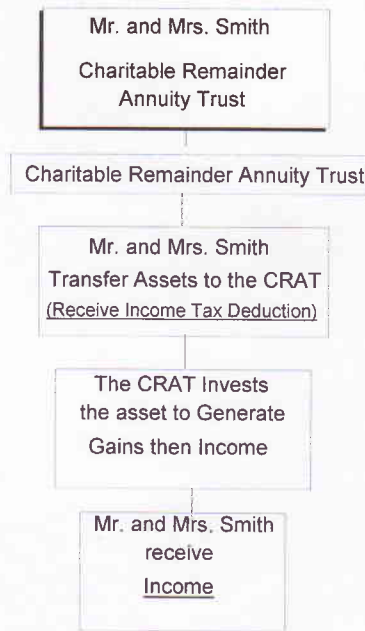
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Charitable Remainder Annuity Trust

A Charitable Remainder Annuity Trust (CRAT) 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, or who has a need for income is a candidate to benefit greatly from a CRAT.

How does a Charitable Remainder Annuity Trust Work?

Charitable Remainder Annuity Trust



A **Charitable Remainder Annuity Trust** is an irrevocable, tax-exempt trust with two parts: 1) the income interest, and 2) the remainder interest. The income interest is a fixed dollar amount of the income 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 a CRAT?

1. **Tax-Free Transfer and Sale:** Through a Charitable Remainder Annuity 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 CRAT can provide a current income tax deduction that can be used to offset all forms of income.
3. **Fixed or Increased Cash Flow:** A fixed income is determined at the time of funding the CRAT which will last for the term of the trust. Also, 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 CRAT. The ability to sell the asset free from capital gain taxes enables a Charitable Remainder Trust to generate more income.
4. **Asset Management:** Among other things, retirement denotes reduction of management responsibilities, not only in the work place, but also with personal assets. The CRAT 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.
5. **Gift and Estate Tax Planning:** The Charitable Remainder Annuity Trust offers you an effective alternative to the payment of gift and estate taxes. Amounts transferred to a CRAT 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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