February 2012
Ask a Trust Officer

Charitable trusts

DEAR TRUST OFFICER: I'm considering making a major charitable gift, but I also need to provide for my heirs. How can I balance these competing interests?
—BUDDING PHILANTHROPIST

DEAR BUDDING: I have three words for you: Charitable remainder trust. The idea is that you contribute assets to an irrevocable trust, either for a set number of years, a beneficiary's lifetime, or the lifetimes of more than one beneficiary. The beneficiaries receive trust distributions that are defined either as a specific dollar amount annually (an "annuity trust") or a specified percentage of the trust's value, determined annually (a "unitrust"). In periods of inflation, growth in asset values will lead to growing distributions to beneficiaries. In periods of economic uncertainty, on the other hand, the annuity trust alternative gives beneficiaries the peace of mind of a set numbers of dollars coming in, regardless of what the markets do.

When the trust terminates, the assets pass to a designated charity. This facet of the plan gives rise to income, gift and estate tax charitable deductions, stretching the financial protection of your resources. A charitable remainder trust may be established during life or in your will.

Be sure to consult with your tax advisors before making any irrevocable decisions.

Do you have a question concerning wealth management or trusts? Send your inquiry to [trustofficer@bankname.com].

(February 2012)