

CHARITABLE TRUSTS & ANNUITIES*

Charitable Remainder Trust

A charitable remainder trust provides a payment stream to the donor and/or other individuals for life or a term up to 20 years ("the income interest").

When the trust ends, its assets are distributed to one or more charitable organizations ("the charitable remainder interest"). The donor may save income taxes and/or estate taxes when establishing the trust. A charitable remainder trust is irrevocable and must meet certain IRS requirements.

Charitable Lead Trust

A charitable lead trust is a trust arrangement that pays current annual income to the nonprofit organization for a specified period of years, with the trust principal reverting to the donor or the donor's family when the trust ends. The annual income payment by the trust is similar to an outright gift of cash, for the charity is free to use the cash as soon as it is received, subject, of course, to any restrictions placed on the gift by the donor.

Charitable Gift Annuity

A charitable gift annuity is a simple contract between the donor and the charity whereby the donor makes an irrevocable transfer of cash or property to the charity. In return for the contributed property, the charity agrees to pay a fixed amount of money each year for the lifetime of one or two individuals. The payout rate offered by a charity will depend on the number of annuitants and their ages. The annuitants have the option to defer receiving their annuity payments until some future date, provided that this decision is made at the time the contract is entered into. Many charities offer charitable gift annuities to their donors because they are easy to explain and require minimal administrative time and expense to implement.

To discuss options, please contact your local community foundations or your nonprofit of interest.

*Please note that the information contained herein is not intended to provide specific legal or financial advice and should not be relied upon as a substitute for such professional advice. Leave 10 Kitsap encourages you to seek professional legal, estate planning and financial advice before deciding on a course of action.