Deferred Gifts

There is a special category of gifts known variously as "deferred" gifts, "planned" gifts or "life income" gifts. These are gifts that can provide you with an immediate income tax deduction, but also may afford other benefits such as life income, future continued use of the gift property, avoidance of capital gains tax and other advantages. Some deferred gifts, such as bequests, provide primarily gift and estate tax savings. Here, in brief, is an overview of these gift methods.

Charitable Remainder Unitrusts

A unitrust is an arrangement in which you irrevocably place money or property with a trustee, with instructions to pay someone (probably yourself) income, generally for life. The income will be a set percentage of the trust's value, which may change from year to year. When the person receiving the income dies, the property remaining — the "remainder" — can pass to a named charity.

By designating a charity as the ***remainder beneficiary***, you'll provide yourself with an income tax charitable deduction. And that's not all. Depending on your planning needs, you can arrange for:

- Increased income for your family;
- Capital gains tax avoidance;
- Tax-free income;
- Increased income at retirement;
- Diversion of income to a family member in a low tax bracket;
- Estate tax savings;
- Avoidance of gift tax;
- Professional investment of your funds;
- A hedge against inflation; and
- Reduced estate settlement costs.

People have been using Charitable Remainder Trusts (CRTs) for many years now to assist them in their personal, financial, tax and philanthropic planning. It's a singular opportunity for you, as a private individual, to have a tax-exempt trust working for you. Most important, the CRT is a proven, time-tested way for you to provide for a charity's future while you satisfy personal and family financial needs.

Here is how a CRT could help some hypothetical donors:

- An investor who had enjoyed success in the stock market wanted to diversify her portfolio and reinvest growth stocks for higher income. Capital gains and investment income taxes, however, were bound to deplete her profits and after-tax nest egg. Solution? She transferred investment assets to a unitrust, reserved a 6% lifetime income and avoided all capital gains taxes when the trustee sold and reinvested her securities. She increased her income and received a charitable deduction, as well.
- A farmer whose children had moved to the city wished to retire and sell his farm, but capital gains and investment income taxes stood in the way. He escaped from this "locked-in" position by deeding the land to a tax-exempt charitable remainder unitrust. The trustee sold the property, avoided all capital gains taxes and is paying the farmer and his wife income for life. The farmer received a large tax deduction, too, because eventually the charity will receive the trust assets.
- A retired couple grew weary of the burdens of managing the investments in their portfolio. They transferred stocks and bonds to a unitrust and now have the services of an experienced trustee (money manager) who sends them quarterly checks that make their golden years even brighter.
- A doctor who formerly had sent monthly checks to her aged mother transferred some stocks and bonds to a unitrust that will pay income to her mother for life and then continue the payments for the rest of the doctor's life. She received a substantial income tax charitable deduction and now the payments to Mom are made from a tax-exempt trust — instead of from the doctor's after-tax income.