

CHARITABLE REMAINDER TRUSTS

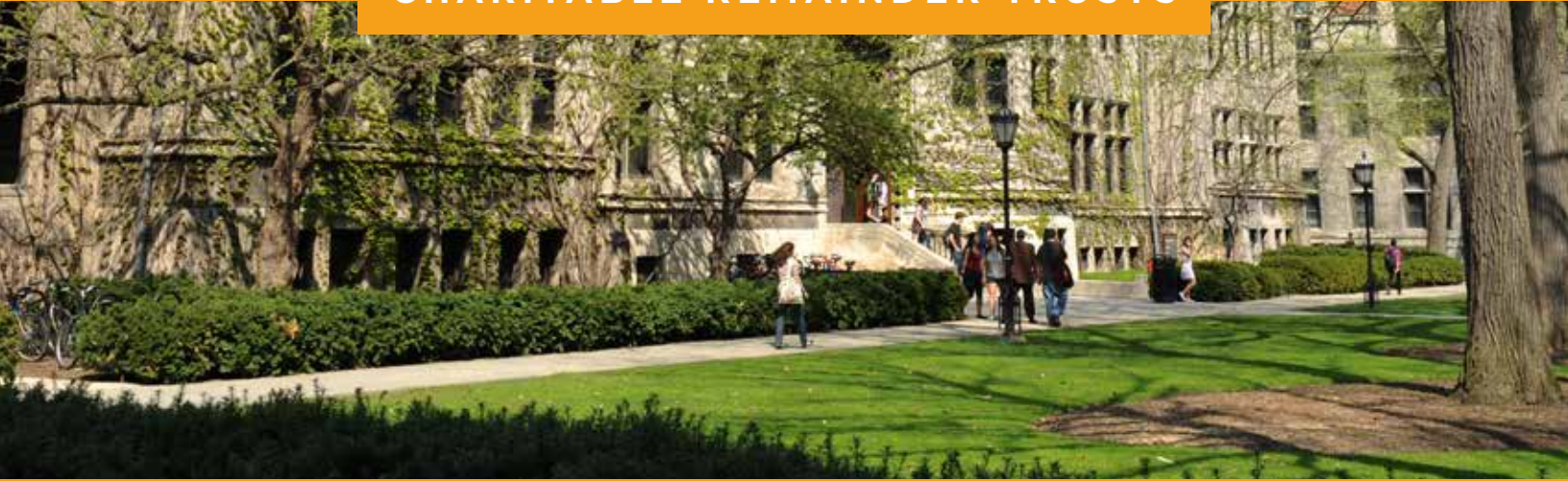


PHOTO BY DAN DRY

A BRIGHTER FUTURE LIES IN TRUST

A charitable remainder trust (CRT) is a special kind of trust you can create today that will have a vital impact on the University of Chicago's future—and yours.

A charitable remainder trust is a trust in which you irrevocably place cash, securities, or other property, but keep a specified income stream—usually for life. When the trust ends, the property in the trust passes to qualified organizations such as the University of Chicago, much as if you had left it in your will. Since you chose to “accelerate” your bequest by means of a trust, federal law dictates that you are entitled to a substantial income tax charitable deduction (see the tables following). Depending on how you arrange your trust, many other advantages are possible:

- Increased income for your family
- Capital gains tax avoidance
- Favorably taxed income
- Deferral of income until retirement
- Estate tax savings
- Avoidance of gift tax
- Diversification and investment management of your funds
- A hedge against inflation
- Reduced estate settlement costs
- Meaningful support for the University's programs

GIFTS THAT SOLVE A PROBLEM

Wise donors and their advisers often plan gifts in trust that also meet a wide range of personal and financial needs.

Mary, a successful executive, could contribute only a limited amount to her 401(k) retirement plan, but she was able to supplement these savings, take partial deductions, and defer substantial income until retirement through a charitable remainder unitrust. By funding her trust with appreciated securities, Mary also saves capital gains taxes that would be due if she sold the stock.

Albert, who had once sent monthly checks to his aged mother, switched to a charitable remainder trust that paid income first to his mother and later to himself, for life. He received a substantial income tax charitable deduction and now the payments to his mother are made from a tax-exempt trust.

Theodore owned a vacation home that was rarely used once his children were grown and moved away. Since he knew his children wouldn't want the property, he wanted to sell it but capital gains taxes stood in the way. He escaped from this locked-in position by deeding the land to the University in trust. The University sold the vacation home, avoided all capital gains taxes, and is paying Theodore and his wife income for life. Theodore received a large tax deduction too, because the trust assets will transfer to the University when the trust terminates.

WHICH TRUST IS RIGHT FOR ME?

Charitable remainder trusts come in two main forms: annuity trusts and unitrusts. Both kinds of trusts provide for payments to one or more individuals for life or for a period of years, with principal ultimately passing to the University benefit. Both trust types can also generate tax benefits for you, but there are many differences that set them apart from one another.

THE OFFICE OF GIFT PLANNING

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THE UNIVERSITY OF
CHICAGO

CHARITABLE REMAINDER TRUSTS

THE ANNUITY TRUST

The annuity trust must provide that a fixed dollar amount equal to at least 5 percent of the value of the property you place in trust be paid annually to the income beneficiary.

GIFT OF \$100,000 TO ANNUITY TRUST FOR LIFE OF BENEFICIARY (Fixed Payout)

Age of Beneficiary	Sample Deduction* if Beneficiary Receives Annually		
	\$5,000	\$5,500	\$6,000
65	\$40,183	\$34,201	N/A
75	\$57,898	\$53,688	\$49,477
85	\$74,020	\$71,422	\$68,823

** Deductions fluctuate with interest rate changes.*

THE UNITRUST

The unitrust, instead of paying a specific dollar amount to the income beneficiary, provides that a specific percentage (minimum 5 percent) of the value of the property in trust be paid annually. If the value of the trust increases, the payout will increase too. Decreases are also possible.

GIFT OF \$100,000 TO UNITRUST TRUST FOR LIFE OF BENEFICIARY (Variable Payout)

Age of Beneficiary	Sample Deduction* if Beneficiary Receives Annually		
	\$5,000	\$5,500	\$6,000
65	\$38,469	\$32,550	\$27,770
75	\$52,667	\$46,945	\$42,025
85	\$68,044	\$63,380	\$59,151

** Deductions fluctuate with interest rate changes.*

THE PHOENIX TRUST—AN OPTION TO INVEST YOUR TRUST IN THE ENDOWMENT

Under a Private Letter Ruling that the University of Chicago received from the Internal Revenue Service in 2009, when you fund a charitable remainder trust with the University of Chicago, you now have the option to request that it be invested in units that participate in the University's endowment. This option, known as the Phoenix Trust, may be of interest to qualified new and existing trust donors who seek potential long-term appreciation and the opportunity to support the University in this way. For a charitable remainder trust to be eligible, the University must serve as the Trustee and be the irrevocable beneficiary of 100 percent of the trust's remainder.

THE PHOENIX SOCIETY—SHOWING OUR GRATITUDE

The Phoenix Society recognizes donors who support the University through an estate commitment or life-income arrangement, such as a charitable remainder trust. Members of the Phoenix Society receive a special memento and are invited to exclusive University events. We are also proud to recognize our members in an annual Honor Roll of contributors (unless anonymity is requested).

FOR MORE INFORMATION

We would be pleased to assist you in planning gifts in trust that have remarkable consequences for you, your family, and future generations. For answers to your questions or for a personalized illustration, visit giftplanning.uchicago.edu, or contact the Office of Gift Planning at 866.241.9802 or giftplan@uchicago.edu.

These materials are intended to provide general information that we hope will be helpful to you in your tax, estate, and charitable planning. It is not intended as legal advice and should not be relied upon as legal advice. Figures, calculations, and tax information are based on federal tax laws, regulations, rulings, and rates applicable at the time such information was prepared and are for illustration purposes only. Individual state laws may have an impact on the availability of gift annuities. For advice or assistance with your particular situation, you should consult an attorney or other professional adviser.