

## Charitable Remainder Unitrust

A charitable remainder unitrust (CRUT) is an irrevocable trust designed to convert assets into a lifetime income stream without generating estate and capital gains taxes. It not only produces valuable tax advantages, but also enables you to touch the lives of Kansas State University students and faculty. This is one of the greatest personal rewards you will experience.

### Advantages of a Charitable Remainder Unitrust

- **Income:** Create an income stream for yourself, spouse or other loved ones. A charitable remainder unitrust pays income based on a fixed percentage (5 percent minimum) of the trust assets as revalued once per year.
- **Flexibility:** You can use land or a variety of assets to fund a CRUT. You can choose lifetime or a term of years and payment options of quarterly, semiannually or annually.
- **Avoid capital gains tax:** You can eliminate immediate capital gains on the sale of appreciated assets, such as stocks, bonds and real estate.
- **Charitable deduction:** You may receive a substantial charitable income tax deduction in the year you make the gift, with an additional five years to carry forward any unused deduction.
- **Diversification:** Assets used to fund the trust will be placed into a diversified portfolio managed by professionals.
- **Estate tax savings:** You may reduce estate taxes that your heirs might have to pay by removing assets prior to your death.
- **Satisfaction:** You will know that you are benefiting future generations of Kansas State University students.

One advantage of a unitrust is that income may increase, provided the trust principal grows over time. Also, you can make additional contributions at any time. It will give you the ability to keep up with inflation. The minimum investment amount to establish a charitable remainder unitrust is \$100,000.

### Who can be the beneficiary of the yearly payments?

One or more “persons” can be the beneficiary of the yearly payments, as long as at least one of the beneficiaries is not a charitable organization. Usually, a donor will name himself or herself as the beneficiary for life or a term of years and then, possibly, name his or her spouse or other family member as the beneficiary for his or her life or an additional term of years.

### What steps do I have to take to create a CRUT?

First, contact the KSU Foundation to discuss the options available for a unitrust. Second, a draft trust document will be created that designates your wishes and complies with the requirements of the Internal Revenue Code and state law. Third, appropriate assets are selected to transfer to the trust. Fourth, the charitable deduction is calculated for you based on your selected arrangement. Finally, the KSU Foundation will manage and invest the trust property in a fiduciary manner and perform other administrative duties such as the filing of trust tax returns.

We urge you to discuss your tax planning with your accountant or other financial advisor.

**For more information, contact the gift planning department at 785-775-2000 or [giftoptions@ksufoundation.org](mailto:giftoptions@ksufoundation.org), or visit [k-statelegacy.org](http://k-statelegacy.org).**

*See illustration on opposite side.*

# Charitable Unitrust

Meet the Martins

## Donors:

Rick and Jan Martin

## Ages:

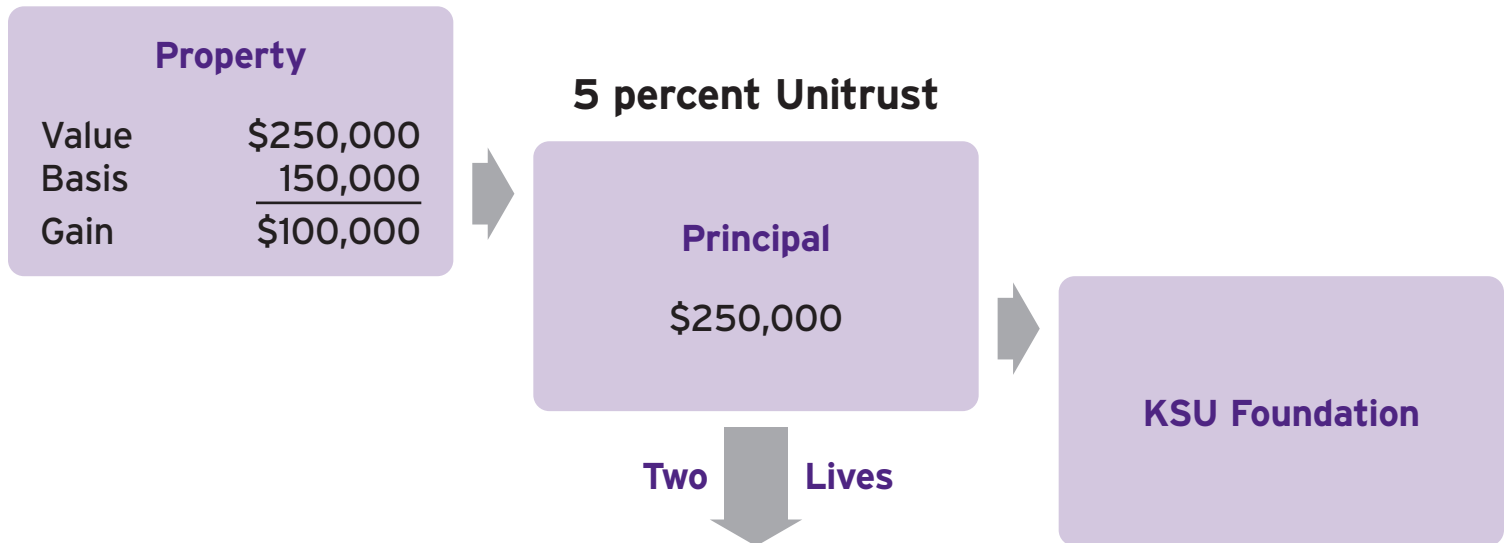
63, 61

## Assets:

\$250,000, including \$150,000 cost basis, in highly appreciated stock

Rick and Jan are considering selling their highly appreciated stock — a stock that pays low dividends (2 percent) — to diversify their portfolio and to produce more income. Yet they realize that selling the stock outright would trigger significant capital gains taxes.

The Martins want to generate retirement income, receive tax benefits and have the pride and pleasure of giving back to KSU. They feel that a charitable remainder unitrust will meet their specific needs today and well into the future.



1. Give asset, sell tax-free. Bypass up to \$100,000 gain may save \$15,000. Income tax deduction of \$79,458 may save \$22,248, based on 25 percent tax bracket.
2. Unitrust annual income \$12,500. Increased income \$7,500 over prior \$5,000 income. Estimated income in 29 years is \$484,903. Effective pre-tax rate 5.49 percent.
3. After two lives, trust passes without probate to establish the Rick and Jan Martin Excellence Fund for Outstanding Students.