University of Maryland Baltimore Foundation, Inc.

Charitable Remainder Trust (CRT)

CONCEPT APPLIED:
A donor creates a CRT to provide (1) income to a named beneficiary(ies), and (2) a remainder interest to charity. The donor enjoys an itemized tax deduction for the present value of the anticipated remainder interest when the trust is funded.

HOW IT WORKS:
The donor transfers property to the trust and designates a beneficiary (the donor or one or two other people selected by the donor) to receive annual income payments. The trust distributes the remainder to charity when the trust term ends.

CRATs:
- allow only one contribution
- pay out a fixed percentage of the trust's initial value

CRUTs:
- allow multiple contributions;
- pay out a fixed percentage of the trust's annually revalued assets
- can be funded with other assets such as real estate

WHY IS IT USEFUL?
A CRT is a flexible planning tool that lets donors convert assets to an income stream (often used to supplement retirement income) while making a gift to charity.

50 words or less
A CRT is an irrevocable trust that pays a beneficiary an income during the trust term (for one life, two joint lives or a period up to 20 years), then distributes the remainder to a qualified charity. A CRT may be an annuity trust (CRAT) or a unitrust (CRUT).