

## **PHILANTHROPIC SOLUTIONS: GIFT OF REAL ESTATE TO A CHARITABLE REMAINDER TRUST**

The St. Croix Valley Foundation offers simple giving solutions that are tailored to your values, goals and personal financial circumstances. Your gifts can include bequests, cash, stock, real estate, life insurance, charitable remainder trust or charitable lead trusts with maximum tax advantages based on when and how you make your gifts. You have the flexibility to give to a wide variety of charities and the freedom to change charities should your interests change. You can also decide when and how to make your gifts in order to take full advantage of tax benefits.

While all charitable gifts contribute to a common good, most gifts to the Foundation provide the added value of providing support to charities far into the future. Gifts to the Foundation are carefully invested to generate a permanent source of income to charitable causes. This approach ultimately increases the value of every dollar given. Here is a simple example of the power of endowment:

### **WHAT IS A CHARITABLE REMAINDER TRUST?**

A CRT is a trust that makes regular payments based on a percent of the trust's assets. These payments, which can be made to the donor or other named income recipient, can be for life, a term of up to 20 years, or both. The amount remaining in the trust at the end of the trust's term benefits the donor's choice of permanent funds at the St. Croix Valley Foundation, benefitting charities or areas of charitable work recommended by the donor. Typically, the First State Bank and Trust of Bayport acts as trustee for trusts established at SCVF, and in this capacity it assumes responsibility for administering all aspects of the trust.

### **TARGET AUDIENCES**

- Clients 50 years of age or older, but may be younger for a term-of-years trust.
- Clients interested in additional income who can withstand market fluctuations.
- Clients with significant assets.
- Clients interested in converting real estate into a gift that provides a stream of ongoing income.
- Clients who wish to give real estate and bypass associated gains.
- Clients who may wish to make additional gifts to the trust at a later date.
- Clients who are seeking ongoing income for long-term care or wealth replacement insurance premiums.

### **TAX AND FINANCIAL BENEFITS FOR YOUR CLIENTS**

- The trust beneficiary receives regular payments for life, for a term of years, or both
- The donor receives a charitable income tax deduction in the year the gift is made based on the value determined by a qualified appraisal. The cost of the appraisal is paid directly by the donor to the appraiser.
- For gifts of long-term appreciated real estate, the annual deduction limit is 30% of the donor's AGI.
- Unused charitable deductions may be carried over an additional five years.
- The CRT sells appreciated assets of real estate tax-free – 100% of the gift is reinvested to produce income.

To learn more and find out about your options, please contact Jane Hetland Stevenson, President of SCVF. via email at [jstevenson@scvfoundation.org](mailto:jstevenson@scvfoundation.org) or by calling 715-386-9490.

## MORE ABOUT CHARITABLE REMAINDER TRUSTS

The donor can also make multiple additional gifts of cash, securities, and/or real estate to the trust, which would increase the annual distribution. In determining a payout rate, the SCVF looks to various factors, including the current economy, the prevailing IRS discount rate and the age of the trust income beneficiaries. Once the percentage has been set in the signed trust document, it cannot be changed. The variable annual payment rate is calculated annually, based on the percentage in the trust agreement and the overall value of the trust's assets. Payments begin in the calendar year following sale of the property. The donor(s) and certain family members are disqualified from purchasing the property according to law.

### **ONE DONOR'S STORY**

Glen and Marge own 150 acres of farmland that has appreciated significantly in value over the past 30 years. They know that if they sell it during their lifetime, there will be a significant capital gains tax. They are benevolent and therefore decided to work with their estate planning attorney and financial advisor, in tandem with the St. Croix Valley Foundation, to create a charitable remainder trust (CRT). They paid for a qualified appraisal, then donated the land to their CRT. Because the CRT is a charity, it sold the farmland to a neighbor for fair market value, with no capital gains tax to Glen and Marge. All of the proceeds were invested in a trust portfolio that provided annual income payments to Glen and Marge for the rest of their lives. They received an immediate income tax deduction at the time the gift was made that helped them save on their income tax liability for the year in which the gift was made, and had an additional carryforward deduction that they could use for an additional five years. Glen and Marge didn't need the income stream for retirement income, so with the help of their financial advisor, they purchased a second-to-die life insurance contract with the annual income to replace the farmland value with income-tax free proceeds to their four children when they die.

