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# Charitable Remainder Unitrust

Prepared for: Sample

Prepared by: Brentmark

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# Charitable Remainder Unitrust

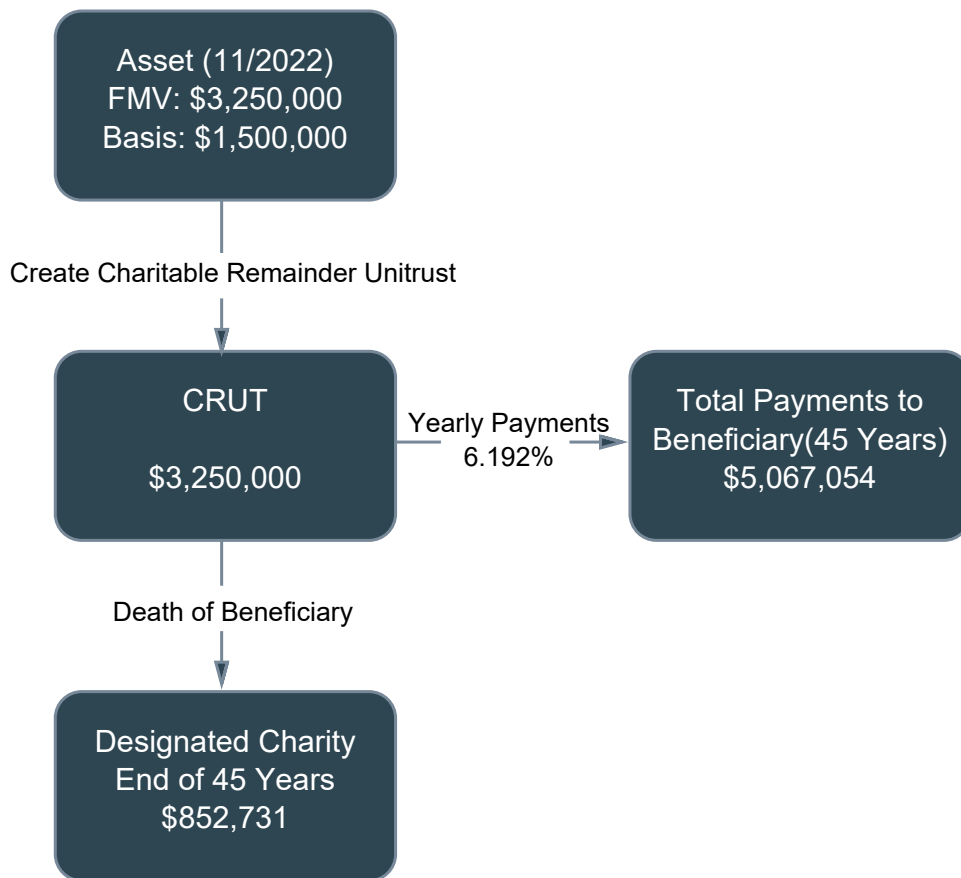
Trust Type:	Life
Transfer Date:	11/2022
§7520 Rate:	4.8%
FMV of Trust:	\$3,250,000
Lives:	1
Age:	36
Optimized Percentage Payout Used:	6.192%
Payment Period:	Annual
Months Valuation Precedes Payout:	12
CRUT Economic Type:	Normal
Growth Rate:	2.00%
Income Rate:	1.25%
Mortality Table:	2010CM
Cost Basis:	\$1,500,000
Charity Type:	30%
Capital Gains Rate:	15.0%

## Income Tax Inputs

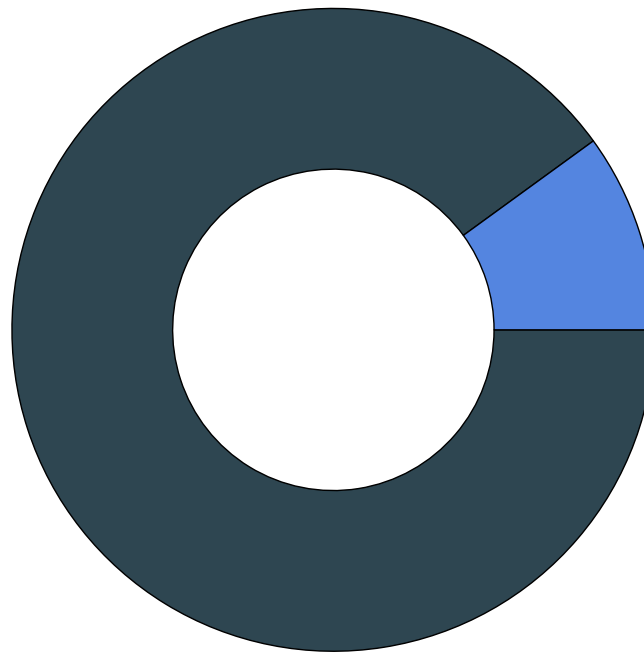
Inflation Rate:	0.00%
Adjusted Gross Income:	\$150,000.00
Itemized Deductions:	\$0
Filing Status:	Joint
Age:	36
Age of Spouse:	45
Long-Term Capital Gain:	\$0
28% Rate Capital Gain:	\$0
Qualified Dividends:	\$0
Unrecaptured §1250 Gain:	\$0

# Charitable Remainder Unitrust

Payout Sequence Factor:	\$0.954198
Adjusted Payout Rate:	5.908%
Interpolation:	
Factor at 5.8%:	0.10350
Factor at 6.0%:	0.09702
Difference:	0.00648
$(5.908\% - 5.8\%) / 0.20\% = X / 0.00648$ ; Therefore $X = 0.00350$	
Life Remainder Factor at 5.8% Less X:	0.10000
Present Value of Remainder Interest = $\$3,250,000 \times 0.10000$ :	\$325,000.00
Donor's Deduction:	\$325,000.00
Donor's Deduction as Percentage of Amount Transferred:	10.0000%



# Charitable Remainder Unitrust



■ Nondeductible ■ Deductible

## Economic Schedule

Year	Beginning Principal	Principal Growth	Income Accrued/Recd	Payment Distribution	Remainder
1	\$3,250,000	\$65,000	\$41,032	\$201,240	\$3,154,792
2	\$3,154,792	\$63,096	\$39,830	\$195,345	\$3,062,372
3	\$3,062,372	\$61,247	\$38,663	\$189,622	\$2,972,660
4	\$2,972,660	\$59,453	\$37,530	\$184,067	\$2,885,577
5	\$2,885,577	\$57,711	\$36,431	\$178,675	\$2,801,044
6	\$2,801,044	\$56,021	\$35,363	\$173,441	\$2,718,988
7	\$2,718,988	\$54,380	\$34,327	\$168,360	\$2,639,335
8	\$2,639,335	\$52,787	\$33,322	\$163,428	\$2,562,016
9	\$2,562,016	\$51,240	\$32,346	\$158,640	\$2,486,962
10	\$2,486,962	\$49,739	\$31,398	\$153,993	\$2,414,107
11	\$2,414,107	\$48,282	\$30,478	\$149,481	\$2,343,386
12	\$2,343,386	\$46,868	\$29,585	\$145,102	\$2,274,736
13	\$2,274,736	\$45,495	\$28,719	\$140,852	\$2,208,098
14	\$2,208,098	\$44,162	\$27,877	\$136,725	\$2,143,412
15	\$2,143,412	\$42,868	\$27,061	\$132,720	\$2,080,621
16	\$2,080,621	\$41,612	\$26,268	\$128,832	\$2,019,669
17	\$2,019,669	\$40,393	\$25,499	\$125,058	\$1,960,504
18	\$1,960,504	\$39,210	\$24,752	\$121,394	\$1,903,071
19	\$1,903,071	\$38,061	\$24,026	\$117,838	\$1,847,320
20	\$1,847,320	\$36,946	\$23,323	\$114,386	\$1,793,203
21	\$1,793,203	\$35,864	\$22,639	\$111,035	\$1,740,672
22	\$1,740,672	\$34,813	\$21,976	\$107,782	\$1,689,679
23	\$1,689,679	\$33,794	\$21,332	\$104,625	\$1,640,180
24	\$1,640,180	\$32,804	\$20,707	\$101,560	\$1,592,131

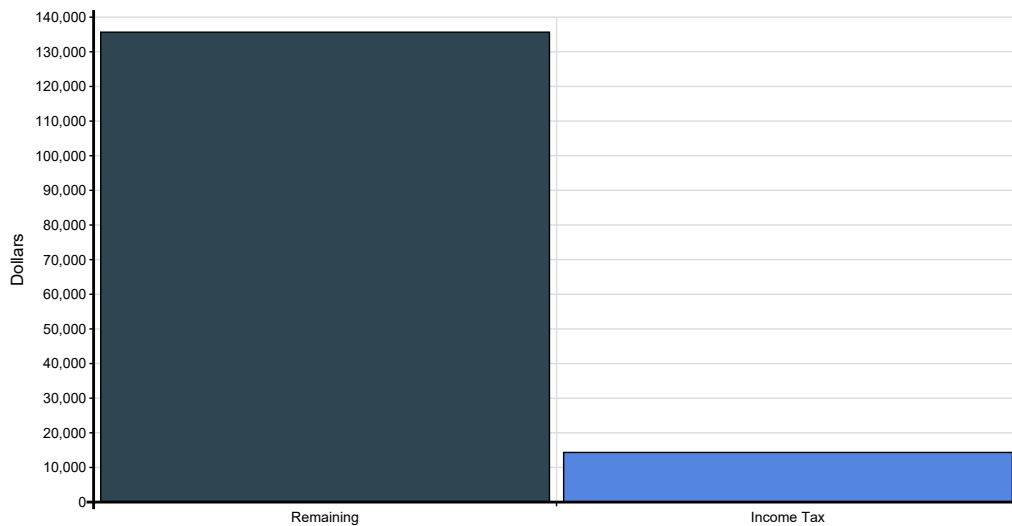
# Charitable Remainder Unitrust

Year	Beginning Principal	Principal Growth	Income Accrued/Recd	Payment Distribution	Remainder
25	\$1,592,131	\$31,843	\$20,101	\$98,585	\$1,545,490
26	\$1,545,490	\$30,910	\$19,512	\$95,697	\$1,500,215
27	\$1,500,215	\$30,004	\$18,940	\$92,893	\$1,456,266
28	\$1,456,266	\$29,125	\$18,386	\$90,172	\$1,413,605
29	\$1,413,605	\$28,272	\$17,847	\$87,530	\$1,372,193
30	\$1,372,193	\$27,444	\$17,324	\$84,966	\$1,331,995
31	\$1,331,995	\$26,640	\$16,817	\$82,477	\$1,292,974
32	\$1,292,974	\$25,860	\$16,324	\$80,061	\$1,255,097
33	\$1,255,097	\$25,102	\$15,846	\$77,716	\$1,218,329
34	\$1,218,329	\$24,367	\$15,382	\$75,439	\$1,182,638
35	\$1,182,638	\$23,653	\$14,931	\$73,229	\$1,147,993
36	\$1,147,993	\$22,960	\$14,494	\$71,084	\$1,114,363
37	\$1,114,363	\$22,287	\$14,069	\$69,001	\$1,081,717
38	\$1,081,717	\$21,634	\$13,657	\$66,980	\$1,050,029
39	\$1,050,029	\$21,001	\$13,257	\$65,018	\$1,019,268
40	\$1,019,268	\$20,385	\$12,868	\$63,113	\$989,409
41	\$989,409	\$19,788	\$12,491	\$61,264	\$960,424
42	\$960,424	\$19,209	\$12,125	\$59,469	\$932,289
43	\$932,289	\$18,646	\$11,770	\$57,727	\$904,977
44	\$904,977	\$18,100	\$11,425	\$56,036	\$878,466
45	\$878,466	\$17,569	\$11,091	\$54,395	\$852,731
Summary	\$3,250,000	\$1,636,645	\$1,033,140	\$5,067,054	\$852,731

# Charitable Remainder Unitrust: Income Tax Summary

## Income Tax Summary for 2022

Adjusted Gross Income:	\$150,000.00
Deductions:	<u>\$45,000.00</u>
Taxable Income:	\$105,000.00
Tax Due:	\$14,334.00
Effective Average Tax Rate:	9.56%
Effective Marginal Tax Rate:	22.00%
Regular Standard Deduction:	\$25,900.00
Additional Elderly Deductions:	<u>\$0.00</u>
Standard Deduction:	\$25,900.00
Itemized Deductions:	\$0.00
Phaseout Amount:	<u>\$0.00</u>
Adjusted Itemized Deductions:	\$45,000.00

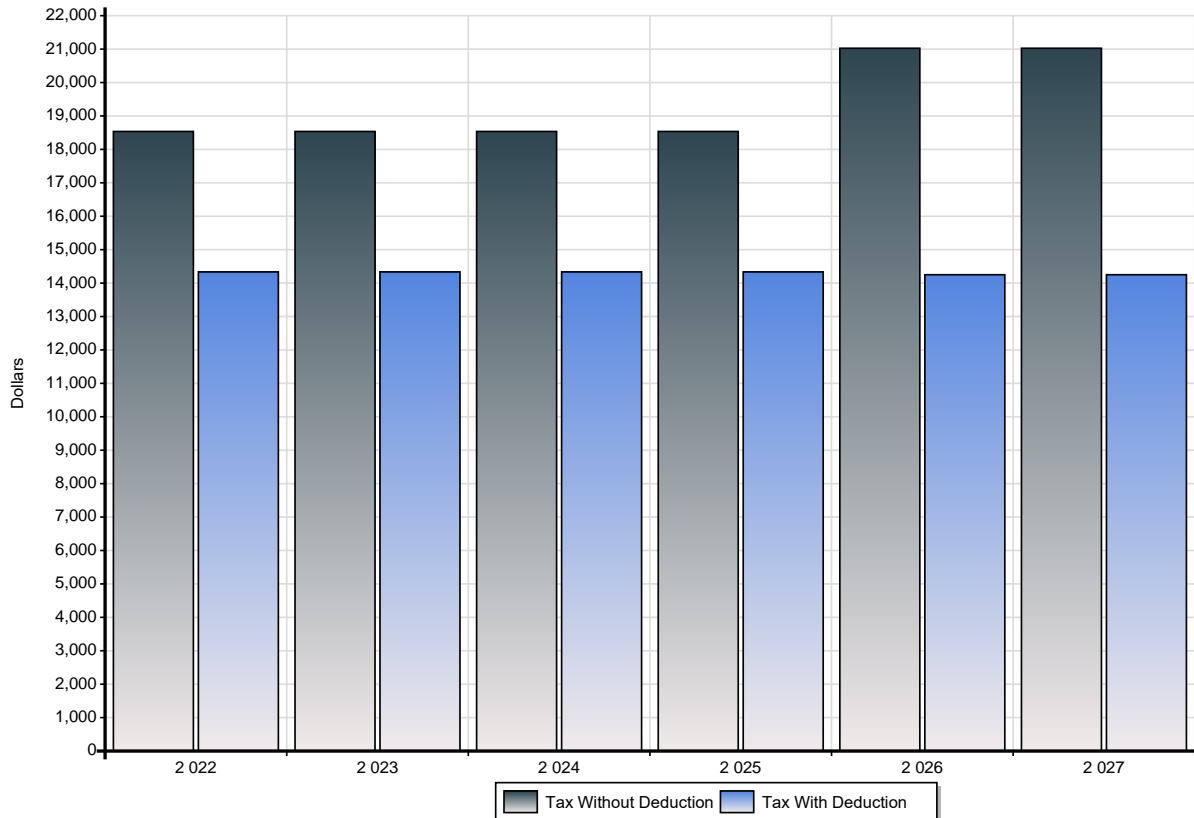


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# Charitable Remainder Unitrust: Income Tax Savings

Capital Gains Tax Savings: \$262,500

Year	Deduction Taken	Remaining Deduction	Tax if No Deduction	Tax With Deduction	Tax Savings
2022	\$45,000	\$280,000	\$18,536	\$14,334	\$4,202
2023	\$45,000	\$235,000	\$18,536	\$14,334	\$4,202
2024	\$45,000	\$190,000	\$18,536	\$14,334	\$4,202
2025	\$45,000	\$145,000	\$18,536	\$14,334	\$4,202
2026	\$45,000	\$100,000	\$21,026	\$14,250	\$6,776
2027	\$45,000	\$55,000	\$21,026	\$14,250	\$6,776



# Charitable Remainder Unitrust

This calculation determines your deduction for a contribution to a charitable remainder unitrust. It also calculates your deduction as a percentage of the amount transferred.

When a charitable remainder unitrust is established, a donor transfers cash and/or property to an irrevocable trust but retains (either for himself or for one or more non-charitable beneficiaries) a variable annuity (payments that can vary in amount, but are a fixed percentage) from that trust. At the end of a specified term, or upon the death of the beneficiary (or beneficiaries, and the donor and the donor's spouse can be the beneficiaries), the remainder interest in the property passes to the charity the donor has specified.

The principal difference between a charitable remainder unitrust and a charitable remainder annuity trust is that a unitrust pays a varying annuity. In other words, the amount paid is likely to change each year. The payable amount is based on annual fluctuations in the value of the trust's property. As it goes up, so does the annuity paid each year. If it drops in value, so will the annuity.

A gift to a charitable remainder unitrust will qualify for income and gift tax charitable deductions (or an estate tax charitable deduction) only if the following conditions are met:

- A fixed percentage (not less than 5% nor more than 50%) of the net fair market value of the assets is paid to one or more non-charitable beneficiaries who are living when the unitrust is established. The charity's actuarial interest must be at least 10% of any assets transferred to the trust.
- The unitrust assets must be revalued each year, and the fixed percentage amount must be paid at least once a year for the term of the trust, which must be a fixed period of 20 years or less, or must be until the death of the noncharitable beneficiaries, all of whom must be living at the beginning of the trust.
- No sum can be paid except the fixed percentage during the term of the trust and at the end of the term of the trust, the entire balance of the trust's assets must be paid to one or more qualified charities.

The donor receives an immediate income tax deduction for the present value of the remainder interest that will pass to the charity at the end of the term.

Because a charitable remainder unitrust is exempt from federal income tax (the income and gains of the trust are only taxed when they are distributed to the noncharitable beneficiaries as part of the fixed percentage of trust assets distributed each year), they are frequently used to defer income tax on gains about to be realized. For example, if a donor has an appreciated asset that is about to be sold, the donor can give the asset to a charitable remainder unitrust, reserving the right to receive a fixed percentage of the value of the trust for life, and for the life of the donor's spouse as well, and the asset can then be sold by the trust and the proceeds of sale reinvested without payment of any federal income tax on capital gains. The capital gains will be taxable to the donor (or the donor's spouse) only as they are distributed to the donor as part of the annual distributions from the trust.

A variation of the CRUT (which pays a fixed percentage of the value of the trust assets, regardless of income) is the net-income CRUT, or "NICRUT," which pays either the fixed percentage or the income actually received by the trust, whichever is less. A variation of the "NICRUT" is the net-income-with-makeup CRUT, or "NIMCRUT." This can be used if the income is less than the fixed percentage, the deficiency can be paid in a future year, as soon as the trust has income, which exceeds the fixed percentage. An additional variation is a "flip" unitrust, which is a trust that changes from a NIMCRUT to a regular CRUT upon the occurrence of a specific event, such as the sale of a specific asset that was contributed to the trust and was not expected to produce much income. However, NICRUTs, NIMCRUTs and "flip" CRUTs are valued in the same way as a regular CRUT for the purpose of determining the income, estate, and gift tax charitable deduction.