

Trusts

Charitable Lead Trust

Cash, marketable securities, and (in some cases) real estate may be placed into a charitable lead trust that provides income to Garrett-Evangelical Theological Seminary for a specified term of years. At the end of the term years, the assets in the trust revert to the donor or to the individual(s) designated by the donor. There is no current income tax deduction for this type of gift, but there is a gift (estate) tax savings. Such a plan allows property to be transferred to family members at a later date with a lowered tax cost. This vehicle is particularly appropriate for donors with relatively large estates.

Creating a charitable lead trusts works well if

- the donor has a highly-appreciated asset (or an asset for which considerable appreciation is expected in the future)
- the donor wishes to provide annual cash for use by the seminary over a period of several years
- the donor wishes to transfer assets to his/her heirs at a lowered tax cost

Totten Trust (“Pay on Death”) Accounts

When an individual sets up a “Totten trust” bank account for the benefit of another person or a charitable interest at the time of the individual’s death, the account balance passes to the beneficiary outside the provisions of the donor’s will. The donor retains the right to withdraw funds as may be needed. Thus, there are no federal income tax savings allowed, even if the beneficiary is a charitable organization. At the death of the donor, the assets passing from a Totten trust to Garrett-Evangelical Theological Seminary are fully exempt from any applicable federal estate taxes.

Charitable Remainder Trusts

Cash, marketable securities, or real estate may be placed into a charitable remainder trust. The trust can be established during the lifetime of the donor or through the donor’s will. When the trust is created, the donor determines a fixed payout percentage of trust assets as valued annually (unitrust) or a fixed payout dollar amount (annuity trust). When the trust matures, either at the death of the last non-charitable beneficiary or at the end of a specified term of years (not to exceed 20 years), Garrett-Evangelical Theological Seminary is the ultimate beneficiary.

Annual trust payments to the beneficiary(ies) will vary depending on the value of the trust assets. An immediate charitable deduction is available to the donor, based on the rate of return and the length of time the trust is projected to be in existence.

The Retirement Unitrust/

The charitable remainder unitrust may be structured as a retirement planning vehicle. Donors who are in their high income years may make contributions (and qualify for a current income tax deduction) and defer annuity payment or trust income until their retirement. Following retirement, the donor(s) would receive income for the rest of their lives.

The Educational Unitrust

A charitable remainder unitrust may be structured as a means of financing the university/college education of children or grandchildren. Donors who are in their high income years may make contributions (and qualify for a current income tax deduction) and defer trust income to the beneficiary until he/she reaches university/college age.

The Wealth Replacement Unitrust

A donor may gift highly appreciated assets to a charitable remainder unitrust and use some, or all, of their tax savings and/or of the trust income over a several year period of time to create a life insurance trust which will purchase “vanishing premium” life insurance on the donor. With proper planning, the original asset is “replaced” and passes to the donor’s heirs outside the estate. By doing so, the donor is able to make a major gift and replace that asset for the sake of his/her heirs.

The information contained in this guide is intended for informational purposes only and is not intended to be legal or tax advice. In the case of most non-cash, tax-advantaged gifts (outright or future) to the seminary, donors are encouraged to consult with their own financial advisors as they review materials and proposals which seminary staff and/or volunteers have prepared for their consideration.