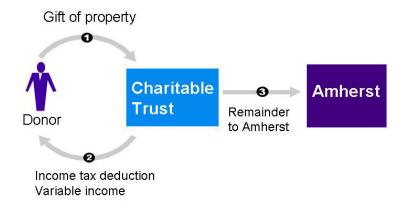


Charitable Remainder Trusts

A charitable remainder trust is a special type of gift plan that enables donors to transfer cash, securities, real estate, or other assets for the future benefit of Amherst College, while retaining the right to name one or more persons, including the donor, as beneficiary(ies) of an annual income stream for a period of time—usually for life.



Two Basic Types of Charitable Trusts

There are two basic types of charitable trusts: the **annuity trust**, which pays a fixed dollar amount of income each year; and the **unitrust**, which pays out a fixed percentage of the trust's assets each year. The asset value of a unitrust is re-determined on the first business day of each calendar year, thus payments are variable. If trust value increases, so do payments to the income beneficiary(ies). Of course, the reverse is possible as well. Both trusts can be structured to pay income (usually quarterly) for the lives of one or two people or for a fixed term of not more than 20 years.

The Trustee

The trustee of a charitable trust may be Amherst College, a bank or other financial institution, or an individual, including the donor. Amherst will draft the trust document at no cost to the donor and, under current policy, does not charge a fee for its services as trustee.

As trustee, Amherst invests most of its charitable remainder trusts in units of the college's endowment, thus enabling each individual trust to realize the same return as the endowment. Payments to the income beneficiaries are taxed primarily as ordinary income. Upon request, other investment options are available and suitable for some donors.

Trust Minimums

For Amherst to act as trustee of a charitable trust, the minimum amount required to fund the trust is \$100,000. The payout rate for an Amherst charitable trust is generally 5%.

Tax Advantages

Because contributions to a charitable trust are irrevocable, the donor is entitled to an income tax charitable deduction in the year the gift to the trust is completed. The amount of deduction (which represents the present value of the charitable interest) depends on the size of the gift, the payout obligation of the trust, a monthly interest rate factor, and the age(s) of the income beneficiary(ies) named in the trust. Charitable deductions range from 25% to 60% of the gift amount.

Deductions are allowable to the fullest extent of the law. Generally, deductions for gifts of cash are limited to 60% of the donor's adjusted gross income (AGI) and for gifts of appreciated securities 30% of AGI. Donors may carry over unused deductions for up to five additional years. Some donors may enjoy estate tax savings as well.

Special Advantages for Gifts of Appreciated Assets

Charitable trusts can be especially advantageous for individuals who own highly appreciated stocks, bonds, mutual fund shares, and unencumbered real estate that they are reluctant to sell because of capital gains tax liability.

If these assets are transferred to a charitable trust, they can be sold free of capital gains taxes and the full value of the asset reinvested, usually providing a greater income return than was previously received.

Trust termination

At the death of the final beneficiary, the trust terminates and the remaining assets accrue to Amherst for the College's use. Most commonly, trust remainders are unrestricted but a donor can request that the remainder be used for a specific purpose of interest to them, such as the establishment of a scholarship fund.

Other considerations

A unitrust can be attractive as a retirement strategy for donors who have reached the allowable limits for tax-deferred savings plans such as 401(k)s. An Amherst endowment trust can provide a tax-advantageous alternative for a potential future income stream.

For More Information

If you would like to learn more about charitable remainder trusts, or would like a personal gift illustration, please contact Julie Lackner, Director of Gift Planning, Amherst College, PO Box 5000, Amherst, MA 01002-5000; phone: 413-542-5193; fax: 413-542-2042; email: jlackner@amherst.edu; website: giftplanning.amherst.edu.

Individuals considering a charitable trust or other planned gift are strongly encouraged to consult with their financial advisor.